

CR Beverage (2460 HK)

A purified water pioneer evolving into integrated beverage titan

CR Beverage is one of the duopolists in China's packaged drinking water market and dominates the purified water category with market share of 33% (by sales in 2023). The company secured its position despite the deteriorated environment with share edged down by 1.37% in Sep 23-Aug 24 (vs. -3.52%/-3.98% for Nongfu/Ganten). We like the company's due to its **1)** solid position in the purified water market, **2)** the soon-to-take-off second growth curve backed by herbal tea drinks and functional beverages, **3)** potential improvement in efficiency driven by self-owned capacity and national expansion, **4)** being the only central SOEs within the sector. We initiate coverage with BUY and TP of HK\$18.84, reflecting 22x 2025E P/E.

■ **Second growth curve poised to surge.** Company's beverage business grew fast at a revenue/GP CAGR of 43/55% from FY21-23 (contributed 7.9/6.0% of total rev./GP and improved to 10.3/6.8% in 4M24) driven by strategic emphasis on cultivating products in niche segment. We expect CAGR of segment rev./GP to reach 44/43% from FY23-26E given that: **1)** one of its tea products dominated the chrysanthemum tea market (mkt share of 38.5%) in 2023 according to CIC. We expect sales volume to surge as the current tea products and to-be-launched herbal plant/no sugar products are highly in line with the trending culinary-medicinal fusion. And herbal based beverages have become the fastest-growing category in 2H24; **2)** company's sports label fertilizes market for functional drinks. By capitalizing on its robust sports marketing legacy as the official hydration partner for China's national teams, the company cultivates a prime launchpad for sports beverages. One of its functional drinks - Mulene (魔力) cleared stringent national anti-doping protocols and was poised to leverage the resources mentioned above.

■ **Northward expansion fuels revenue upsurge and market share gains.** The company has a strong foothold in southern (notably the Pearl River Delta) and eastern territories (contributed 59% of revenue), and eyes to tap into underdeveloped markets in northern regions. By 4M24, the northern region's distributor base expanded by 14% from 2023, fueling a 12.9% YoY revenue uptick, against a 5.3% total revenue rise, boosting its contribution to 26% (vs 23.8% in 2023). We think northward expansion in low-base regions may sustain revenue growth and support market share gains.

■ **Initiate BUY with TP at HK\$ 18.84.** Our TP reflects target P/E of 22x that derived from 1) 15% discount on 23x 2025E P/E of key peers in RTD industry to reflect the company's less beverage exposure; 2) 10% premium since the company is the only central SOEs in the sector. On a 2023-2026E rev./NP CAGR of 7.2/19.3%, Our TP arrived at HK\$18.84. Key risks: 1) economic downturn, 2) price war, 3) food quality and safety risks, 4) raw material price hike

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	12,623	13,515	14,344	15,334	16,644
YoY growth (%)	11.3	7.1	6.1	6.9	8.5
Net profit (RMB mn)	989.8	1,329.3	1,617.7	1,931.6	2,256.0
YoY growth (%)	15.3	34.3	21.7	19.4	16.8
EPS (Reported) (RMB)	0.49	0.66	0.67	0.81	0.94
Consensus EPS (RMB)	na	na	0.72	0.85	1.00
P/E (x)	25.0	18.6	18.3	15.4	13.2
P/B (x)	4.2	3.4	2.2	2.4	2.2
Yield (%)	0.0	0.0	2.2	2.6	3.0
ROE (%)	19.5	21.3	16.3	15.7	18.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price HK\$18.84
Up/Downside 42.5%
Current Price HK\$13.22

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Stock Data

Mkt Cap (HK\$ mn)	31,704.2
Avg 3 mths t/o (HK\$ mn)	141.4
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	2398.2

Source: FactSet

Shareholding Structure

CRH Beverage Ltd.	50.0%
Plateau Consumer Ltd.	33.4%

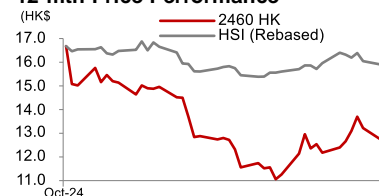
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-3.5%	-4.2%
3-mth	NM	NM
6-mth	NM	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

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One-page summary

Figure 1: Our key forecasts

Key matrix	2021	2022	2023	2024E	2025E	2026E
Total volume (K tonnes)	11,925	12,915	13,766	15,054	16,210	17,332
Packaged drinking water prod.	11,786	12,727	13,491	14,641	15,591	16,417
Beverage products	139	188	275	412	619	916
YoY growth - volume		8.3%	6.6%	9.4%	7.7%	6.9%
Packaged drinking water products		8.0%	6.0%	8.5%	6.5%	5.3%
Beverage products		35.5%	46.2%	50.0%	50.0%	48.0%
ASP (RMB/tonne)	951	977	982	933	897	872
Packaged drinking water prod.	918	935	923	877	843	818
Beverage products	3,761	3,812	3,885	3,652	3,542	3,507
YoY growth - ASP		2.8%	0.4%	-5.0%	-3.8%	-2.8%
Packaged drinking water products		1.9%	-1.4%	-5.0%	-3.9%	-2.9%
Beverage products		1.3%	1.9%	-6.0%	-3.0%	-1.0%
Revenue (RMB mn)	11,340	12,623	13,515	14,344	15,334	16,644
Packaged drinking water prod.	10,818	11,906	12,447	12,838	13,143	13,433
Beverage products	522	717	1,068	1,506	2,191	3,211
YoY growth - revenue		11.3%	7.1%	6.1%	6.9%	8.5%
Packaged drinking water products		10.1%	4.5%	3.1%	2.4%	2.2%
Beverage products		37.3%	49.0%	41.0%	45.5%	46.5%
Gross margin	43.8%	41.7%	44.7%	47.1%	48.1%	48.5%
Packaged drinking water products	44.6%	42.4%	45.6%	48.8%	50.8%	52.3%
Beverage products	28.7%	28.8%	33.7%	32.7%	32.2%	32.7%
Net profits (RMB mn)	858	990	1,329	1,618	1,932	2,256
YoY growth		15%	34%	21.7%	19.4%	16.8%
Net margin	7.6%	7.8%	9.8%	11.3%	12.6%	13.6%

Source: Company data, CMBIGM estimates

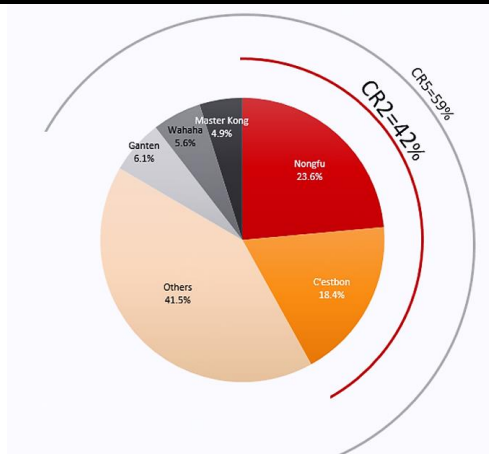
Investment Thesis

One of the dual-leaders in packaged drinking water market led by purified water strength

■ Dual leadership pattern in China's packaged drinking water sector

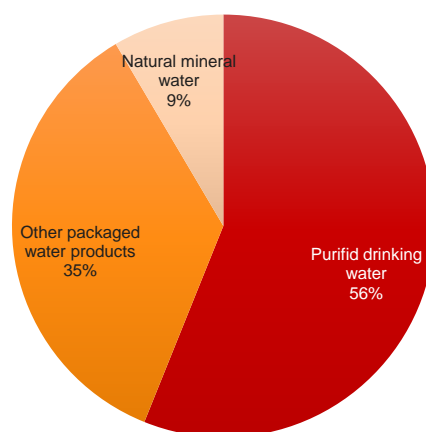
The packaged drinking water industry in China has seen a continuous increase in market size (7.1% CAGR from 2018 to 2023, reached RMB 215bn), coupled with a growing concentration with CR5 accounted for 56.2% of market share in 2021, and increased by 2.4% to 58.6% in 2023 according to CIC. The market exhibits a pronounced dual-leadership structure, where two major players (Nongfu Spring and CR Beverage) dominate the industry landscape by accounting for 42% of market share. CR Beverage managed to increase the market share by 1.1% to 18.4% from 2021 to 2023, firmly holding the second place in the sector, far ahead of the third place with market share of approximately 6.1% (Ganten).

Figure 2: 2023 Packaged water CR5



Source: Company data, CMBIGM

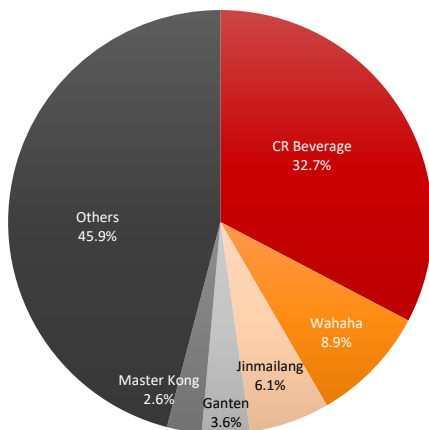
Figure 3: 2023 Packaged water market breakdown



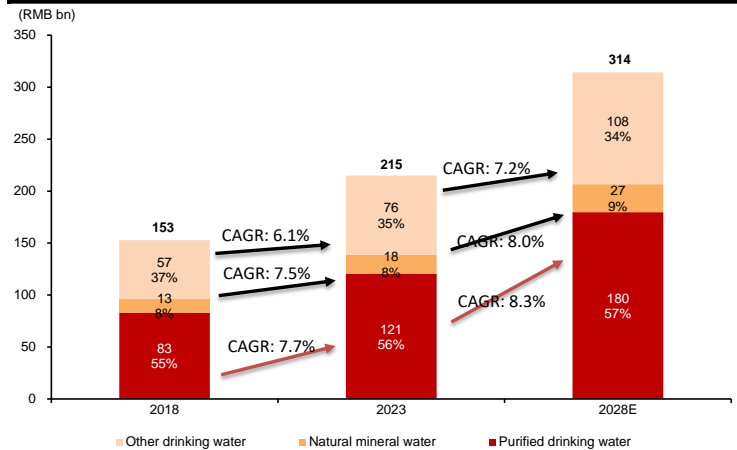
Source: CIC report, Company data, CMBIGM

■ Dominate in the purified water segment – the largest and fast growing slice of packaged drinking water

The company's consistent ranking within the top two in the packaged water market is largely attributed to its absolute dominance (market share of 32.7% in 2023) in the purified water segment (largest segment in packaged drinking water sector). The packaged drinking water market is primarily segmented into purified drinking water, natural mineral water, and other niche markets, accounting for 56.1%, 8.5%, and 35.4% of the total market size in terms of retail sales value in 2023, respectively. According to the CIC (China Insights Industry Consultancy Limited) report, the CAGR for these three segments from 2023 to 2028E are projected to be 8.3%, 8.0% and 7.2% respectively. In the largest and fastest-growing segment, purified drinking water, the company holds an unequivocal leadership position, with market share increasing from 31% in 2021 to 32.7% in 2023, significantly outpacing the second-place contender at 8.9% and the 3rd to 5th ranked players at 3-6%. This commanding presence in the largest market segment is a key pillar supporting the company's stable position as a top-tier player in the packaged drinking water industry. We anticipate that the company will continue to maintain its leading position in the purified drinking water sector in the future.

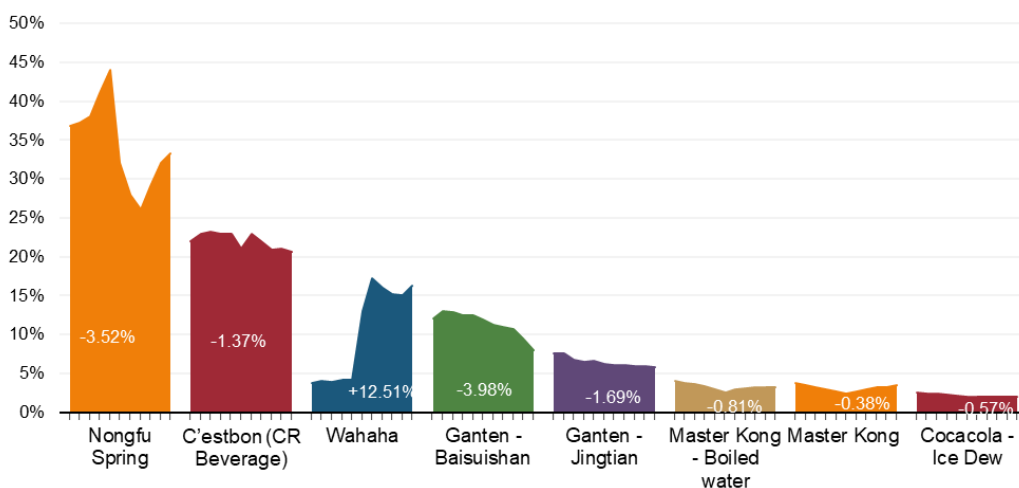
Figure 4: 2023 Purified water CR5

Source: CIC report, Company data, CMBIGM

Figure 5: 2018-2028E packaged water market breakdown

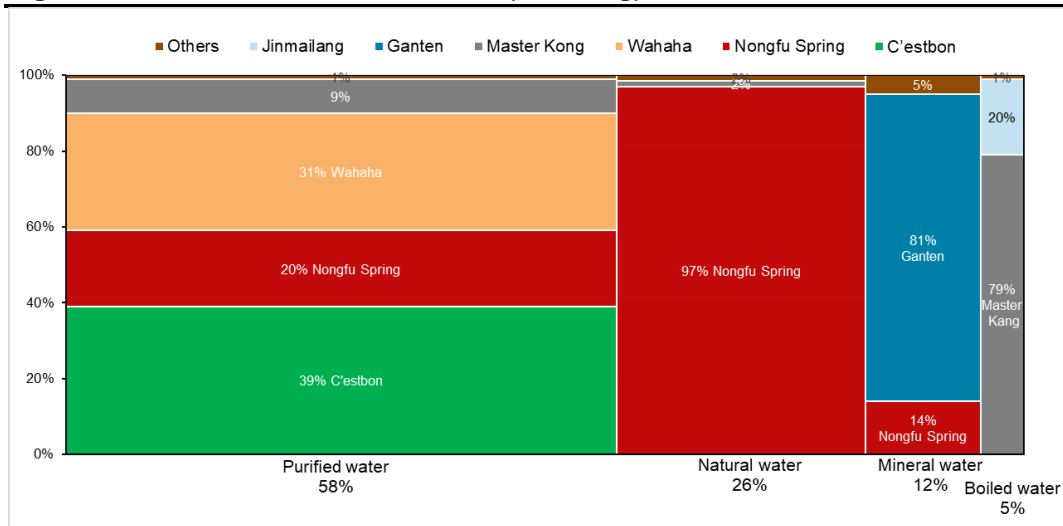
Source: CIC report, Company data, CMBIGM

Maintained market position despite intensified competition In 2024, the purified water market witnessed events such as Wahaha's market share rally and the entry of Nongfu Spring into the market, leading to increasingly fierce competition in the purified water sector. According to data from Win Win Network, from Sep 2023 to Aug 2024, except for Wahaha, the market share of most major brands declined. Among them, Nongfu Spring's market share dropped by 3.52%, and Jingtian Baisuishan's declined by 3.98%. In contrast, C'estbon had the smallest decline among the leading brands, with a decrease of merely 1.37%.

Figure 6: Market share movement in bottled water (2023 Sep – 2024 Aug)

Source: Win Win Network, CMBIGM

Meanwhile, judging from the market share data of a single month in August 2024, C'estbon still accounted for 39% of market share in the purified water segment, firmly maintaining its leading position.

Figure 7: Market share of bottled water (2024 Aug)






Source: Win Win Network, CMBIGM

Second growth curve emerges, poised for rapid expansion

■ Dominant product emerged in niche market

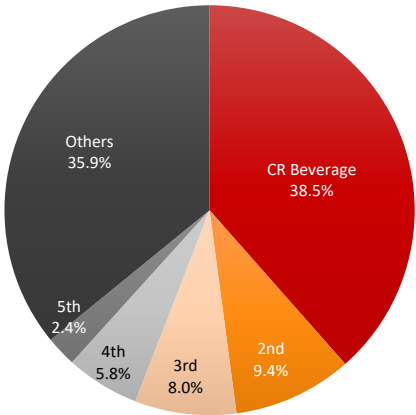
The company's beverage business has witnessed rapid growth, with revenue contribution increasing from 4.6% in 2021 to 7.9% in 2023, and further reaching 10.3% by April 2024. The Compound Annual Growth Rate (CAGR) from 2021 to 2023 was an impressive 43%. Gross profit contribution also saw a significant rise, climbing from 3.0% in 2021 to 6.0% in 2023. The rapid advancement of the beverage segment is largely attributed to the company's strategic emphasis on cultivating specialized niches within the beverage market. To date, the company has successfully developed five brands with sales exceeding RMB 100 mn (Figure 6). Zhi Ben Qing Run has solidified its position as a market leader in the chrysanthemum tea subcategory. By 2023, Zhi Ben Qing Run obtained market share of 38.5%, which notably exceeds the combined market share of the second, third, and fourth place holders, totaling 25.6%.

Figure 8: Retail value of subsidiary brands exceeded RMB 100mn in 2023

Category	Brands	SKUs
Chrysanthemum tea	Zhi Ben Qing Run	
Milk tea	Gogo-no-Kocha milk tea	
Low-concentration juice	Holiday Series	
Flavored water	Mi Shui Series	
Coffee	FIRE	

Source: Company data

Figure 9: 2023 Chrysanthemum tea (菊花茶) CR5

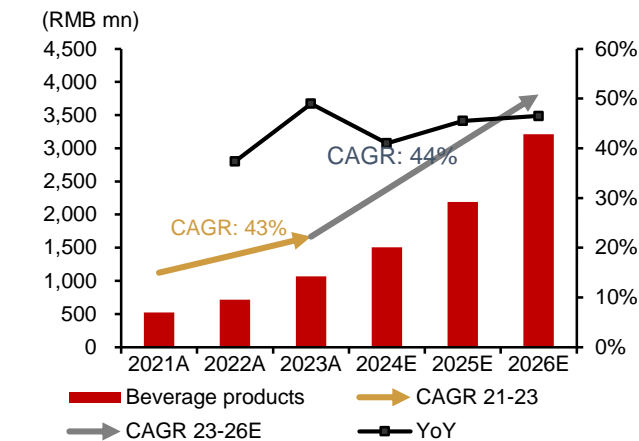


Source: CIC report, Company data, CMBIGM

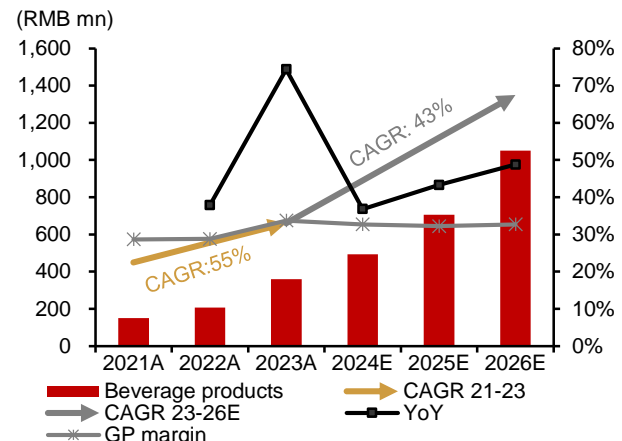
■ **Expect beverage business to grow fast**

We foresee a pronounced acceleration in sales volumes for nascent yet promising products, such as Zhi Ben Qing Run chrysanthemum tea and plum soup, owing to their alignment with prevailing consumer predilections for two key flavour trends — the convergence of culinary and medicinal properties, and nostalgic childhood reminiscences.

In light of Kerry's Chinese Flavour Landscape report, which identifies the top five flavours of Chinese consumers in 2023, the aforementioned trends occupy the premier positions. These products are poised to become knock-out product in our view. Considering that the absolute size of beverage business is still relatively modest, we predict that the CAGR for beverage revenue from 2023 to 2026E will reach 46%. Moreover, we estimate that the CAGR for gross profit of the beverage segment during the same period will be nearly 45%.

Figure 10: Revenue of beverage products


Source: Company data, CMBIGM estimate

Figure 11: Gross profit of beverage products


Source: Company data, CMBIGM estimate

Strengthening sports tag enriches the ground for cultivating sports beverages

The bottled water brand has attained a commanding height within the realm of sports marketing. Since 2019, the company has served as the official water supplier of China's national teams, providing hydration support in the Tokyo 2020 Olympics and the Beijing 2022 Winter Olympics. It also sponsors the Paris 2024 Olympics. As the brand's status as the official and preferred water choice for athletes and sports professionals becomes increasingly embedded in the public psyche, its athletic identity will be further consolidated. This presents a robust foundation and a precious opportunity for the development of a flagship sports drink.

Take sports drink Mulene as an illustration, it was the first product to clear the rigorous hurdles of the national anti-doping tests. Bolstered by the company's established professional sports image within the drinking water sector, we are convinced that Mulene is well-positioned to rapidly establish a more specialized profile than rival sports drinks. This should resonate with consumers, propelling Mulene to a position of market dominance.

Figure 12: Sport collaborations by packaged drinking water brand

Brand	Drink Category	Collaboration established time	Partner	Sports	Details
CR Beverage	Purified Water	2019	TEAM CHINA	Soccer, Basketball, Volleyball, Gymnastics, Swimming, Athletics, Table Tennis, Badminton, Martial Arts, etc.	Provided packaged drinking water and beverage products for more than 70 Chinese national sports teams Sponsored TEAM CHINA in the Tokyo 2020 Summer Olympics Sponsored TEAM CHINA in the Beijing 2022 Winter Olympics
		2011	CCTV-Ultra Gobi	Hiking	Sponsored the "Road of Xuanzang" Ultra Gobi for 6 consecutive sessions
		2013	Sports associations/clubs	Marathon	Sponsored over 1,000 running events in over 45 cities since 2013
		2017	Le Tour de France	Cycling	Sponsored Le Tour de France
		2019	Military World Games	Shooting, Swimming, Basketball, Track and field, etc.	Provided hydration support for the Division IA of the Woman's Ice Hockey World Championships Chinese Basketball Association
		2020	Women's Chinese Basketball Association	Basketball	Provided hydration support for Women's Chinese Basketball Association.
		2022	Chinese Men's 3x3 Basketball Super League	Basketball	Provided hydration support for Chinese Men's 3x3 Basketball Super League
		2023	Woman's Ice Hockey World Championships	Ice Hockey	Provided hydration support for the Division IA of the Woman's Ice Hockey World Championships Chinese Basketball Association
		2023	Mr. Eliud Kipchoge	Marathon	Olympic champion Mr. Eliud Kipchoge became C'estbon's marathon promotion ambassador
		2023	World Athletics	Track and field	Provided hydration support for Xiamen Station of the World Athletics Diamond League
		2023	Universities	Marathon, Track and field	Co-organized the "Chasing Dream Together" themed campus running event with universities
		2023	City councils	Basketball	Became a philanthropic partner of the Village BA to promote rural basketball development
		2024	Chinese Football Association Super League (CSL)	Soccer	Became the title sponsor of the Chinese Football Association Super League
Nongfu Spring	Natural Water, Functional Drinks	2019	Chinese Swimming Association	Swimming	Became the official partner, sponsored water and functional beverage to the national diving team, swimming team and synchronized swimming team
Ganten	Purified Water, Natural Mineral Water	2018	International Basketball Federation(FIBA)	Basketball	Became the official mineral water supplier for top-tier events such as the 2019 basketball world cup, provided comprehensive services as a global partner for 4 years
		2022	World Table Tennis	Table Tennis	Supplied water and beverage to WTT Grand Smashes, WTT Cup Finals, WTT Champions, and the ITTF World Table Tennis Championships
Eastroc Beverage	Energy Drinks	2022	Hangzhou Asian Games	Comprehensive	The official functional beverage supplier of the 2022 hangzhou asian games, providing energy replenishment for the athletes and spectators.
Pocari Sweat	Sports Drinks	2014	Incheon Asian Games	Comprehensive	The official sports drink sponsor, provided beverages to 46 sports venues
		2018	Jakarta Asian Games	Comprehensive	The official sports drink sponsor
		2022	ASEAN Football Federation	Soccer	The official sponsor of the AFF Championship for a two-year sponsorship agreement in 2022 and 2024.
Evian	Natural Mineral Water	2008	The Wimbledon Championships	Tennis	The official drinking water partner of the wimbledonn championships since 2008
Fiji	Natural Mineral Water	2009	The Los Angeles Marathon	Marathon	The official drinking water supplier, provided hydration for participants and spectators

Source: Company data, CMBIGM

Northward regional expansion fuels revenue growth and supports market share increase

■ Stronger southern footprint versus a relatively weaker presence in northern regions

In terms of regional strategy, CR Beverage has a strong foothold in the Pearl River Delta region, with Guangdong serving as its operational epicentre. Subsequently, the company expanded its footprint to encompass the Yangtze River Delta and markets along the Yangtze River, thereby solidifying its presence in both southern and eastern territories. Across the nine provinces encapsulated by these regions, CR Beverage commands a top-2 market share in eight of them, underscoring its dominant position.

As of the end of 2023, these key areas housed three (out of four) of the company's water source areas, 83% of its self-owned factories, and 51% of its cooperative manufacturing partnerships. Collectively, two key areas contributed a significant 60% of total revenue (as at April 2024). In contrast, the northern and western regions offer substantial room for growth, underscoring a pronounced disparity in established market presence, characterized by a stronger southern footprint versus a relatively weaker northern one. Overall, this reveals a pronounced geographical bias in the company's existing footprint, with a robust southern dominance and a less developed northern sector, presenting ample opportunities for further strategic expansion and market consolidation in the underpenetrated regions

■ Expansion in northern market with low base may fuel revenue growth

In alignment with the corporate strategic blueprint, the company is poised to advance its national expansion and intensify market penetration in the northern and western territories by establishing dominance in key metropolises and leveraging these hubs to expand influence across adjacent provinces. As of the end of 2023, it has successfully ascended to a top-two market share position in strategic locations such as Sichuan, Chongqing, Shaanxi, and Beijing. With plans to extend to neighboring provinces, we forecast an acceleration in revenue growth within the northern and western regions.

The enhancement of market penetration in newly tapped provinces will underpin an overall elevation in the company's market share. By April 2024, the number of distributors in the northern region (classified as Central Region and Other Regions in the company's financial statements) surged by 14% compared to end 2023. This expansion has translated into a 12.9% YoY increase in revenue for the northern region (vs. a 5.3% rise for total revenue), thereby elevating its contribution to the overall income by 2.16 ppts, reaching a significant 26%.

This trajectory underscores the efficacy of the company's strategic maneuvers in diversifying its revenue streams and enhancing its market position, particularly in previously underdeveloped regions. The upward trend in distributor counts and revenue contributions from the northern region exemplify the company's commitment to balanced territorial development and underscore the potential for sustained growth across the nation.

Figure 13: Regional data

Region	地区	Province	省市	Regional operational data 产能布局 (2023)				Ranking by market share 市场份额排名 2023	Regional operational data 渠道布局			Revenue contribution 收入分布			Revenue growth rate (YoY) 收入增速 (同比)	
				Water Sources 水源地	Cooperative manufacturing partnerships 合作生产伙伴	Self-owned factories 自有工厂 (4M24)	Capacity expansion plan 产能扩张计划 (2024-25E)		No. of distributors 经销商数量 2023	No. of distributors 经销商数量 4M24	Net increse of distributors 经销商数量增长 (Jan-Apr 2024)	2023	4M24	change during Jan-Apr 2024 1-4月变化	2023	4M24
Southern region	南部	Guangdong	广东	2	3	6	★2	No. 1	195	203	4.1%	32.5%	30.0%	-2.45 ppt	1.3%	8.4%
		Guangxi	广西			1		No. 1								
		Hainan	海南	1				No. 1								
Eastern region	东部	Jiangsu	江苏		4	1	★1	No. 2	136	171	26%	29.6%	29.0%	-0.64 ppt	10.2%	-2.0%
		Zhejiang	浙江				★1	No. 2								
		Henan	河南		1			No. 3								
		Hubei	湖北	1	3	1	★1	No. 1								
		Shanghai	上海			1		No. 2								
		Anhui	安徽		2	1		No. 2								
Southwestern region	西南	Sichuan	四川		2	1	★1	No. 1	285	310	9%	14.0%	15.0%	0.92 ppt	10.4%	2.7%
		Shaanxi	陕西					No. 2								
		Chongqing	重庆		2			No. 2								
		Yunnan	云南													
Central and Other regions	其它地区	Guizhou	贵州		2			No. 3	452	514	14%	23.8%	26.0%	2.16 ppt	9.7%	12.9%
		北部	Hebei		1			No. 3								
		北部	Beijing					No. 2								
		北部	Shanxi		1			No. 3								
		北部	Tianjin		2			No. 3								
		东北	Liaoning		1			No. 3								
		东北	Heilongjiang		1											
		东北	Jilin													
		西北	Inner Mongoli													
		西北	Xinjiang													
		西北	Gansu													
		西北	Ningxia													
		西北	Qinghai													
		其它地区	Shandong		1			No. 3								
		其它地区	Fujian	1	2			No. 3								
		其它地区	Hunan		2	1	★1	No. 1								
		其它地区	Jiangxi		1			No. 2								
		其它地区	Tibet					No. 2								
		其它地区	Hong Kong					No. 1								
		其它地区	Macao													
Total	合计			4	34	13	7		1,068	1,198	12.2%	100%	100%	n.a.	7.1%	5.3%

Source: Company data, CMBIGM

Figure 14: Production capacity expansion schedule

	2022A	2023A	2024E	2025E	2026E	2027E
New factories' capacity add-in		Yixing Factory 宜兴工厂 Jiangsu 江苏	Yixing Factory 宜兴工厂 Jiangsu 江苏	Zhejiang Factory 浙江工厂 Zhejiang 浙江		
		Biyouxuan Factory 碧优选工厂 Guangdon 广东	Wuyi Mountain Factory 武夷山工厂 Fujian 福建			
			Wanlv Lake Factory 万绿湖工厂 Shaanxi 陕西			
			Biyouxuan Factory 碧优选工厂 Guangdon 广东			
Operating factories' capacity expansion	Zhaoqing Factory 肇庆工厂 Guangdon 广东	Zhaoqing Factory 肇庆工厂 Guangdon 广东	Changsha Factory 长沙工厂 Hunan 湖南			
	Shenzhen Factory 深圳工厂 Guangdon 广东	Lu'an Factory 六安工厂 Anhui 安徽	Chengdu Factory 成都工厂 Sichuan 四川			
	Lu'an Factory 六安工厂 Anhui 安徽	Nanning Factory 南宁工厂 Guangdon 广东				
Self-owned capacity and output volume scale-ups	Capacity: +1.3 mn tonnes Output volume: +0.64 mn tonnes		Capacity: +8.51 mn tonnes New factories: +6.91 mn tonnes Operating factories: +1.6 mn tonnes		To continually expand	

Source: Company data, CMBIGM

Key Financials

Revenue backed by stable water and ramp-up of beverage sales

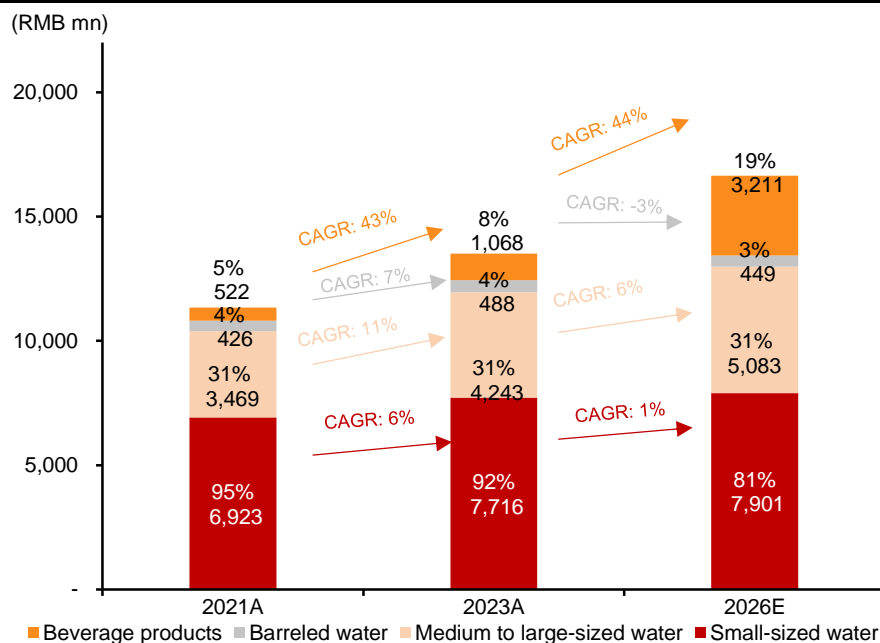
■ Steady revenue growth in 21-23 backed by medium- to large-sized water and beverage products

In 2021, 2022 and 2023, the Company's revenue was RMB11.3bn/12.6bn/13.4 bn, respectively, representing a CAGR of 9.2%, reflecting a CAGR for volume of 7.4% and an ASP hike of 3.2%. The steady growth was primarily attributable to the sales of medium- to large-sized water products (1L-5L, "medium to large-sized water products") and the beverage products that collectively accounted for 39.3/40.6% of total revenue in 2023/4M24.

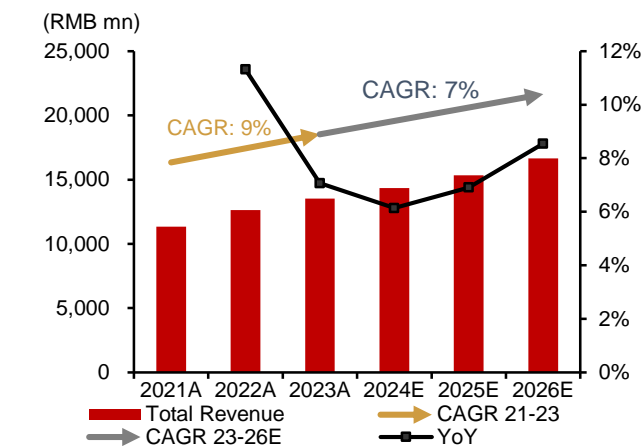
From 2021 to 2023, the revenue from medium to large-sized water products grew at a CAGR of 10.6% to RMB 4.2bn, reflecting a volume CAGR of 11% and ASP dip of 0.7%, thanks to **1)** company's strategy to tap into the rising demand from household consumption scenarios (tea making, cooking and dining), **2)** company's active collaboration with the catering channel to promote medium to large-sized products for culinary uses such as soup base, **3)** provision of fast-evolving delivery services that enhanced the accessibility and convenience of purchasing medium to large-sized water products.

Revenue from beverage products grew at a CAGR of 43% to RMB 1.0bn from 2021 to 2023, reflecting a volume CAGR of 40.7% and ASP hike of 3.3%. The growth was primarily resulted from company's continuous expansion of its product portfolio and the cultivation of flagship products in various niche markets. In 2023, five of the company's beverage products surpassed retail sales of over RMB 100mn each, with the chrysanthemum tea product achieving sales of RMB 760mn, ranking first in market share within its sub segment.

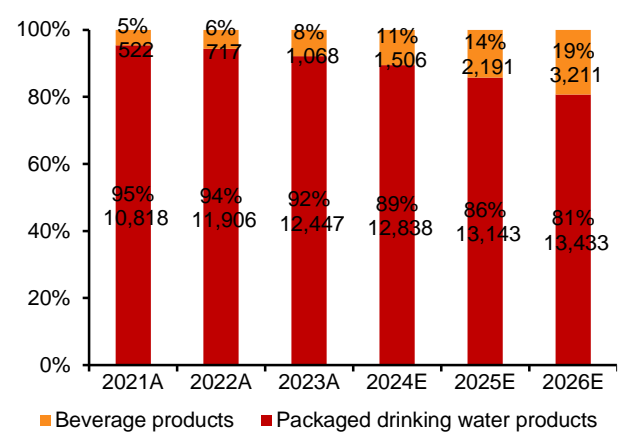
Figure 15: Revenue breakdown



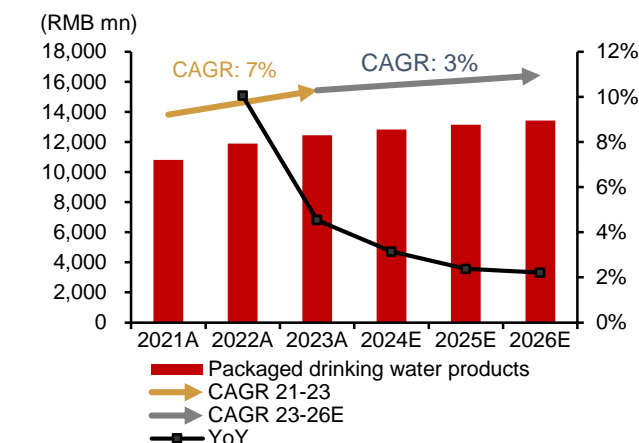
Source: Company data, CMBIGM estimate

Figure 16: Revenue in 2021-26E

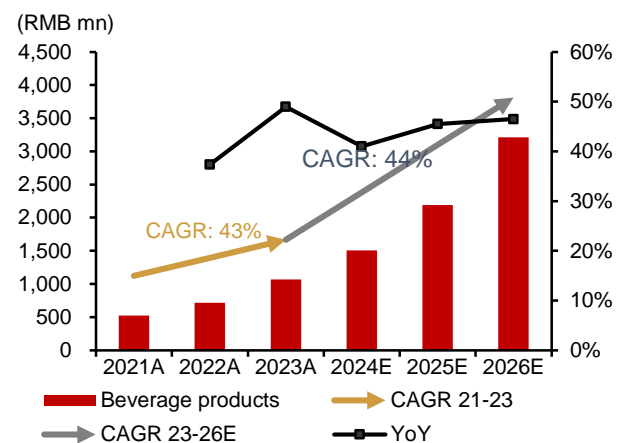
Source: Company data, CMBIGM estimates

Figure 17: Revenue by business segments

Source: Company data, CMBIGM estimates

Figure 18: Packaged water products revenue

Source: Company data, CMBIGM estimates

Figure 19: Beverage products revenue

Source: Company data, CMBIGM estimates

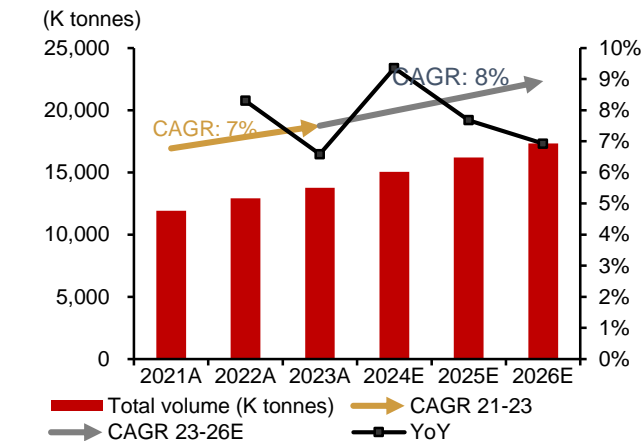
We expect for a CAGR of 7% in 2023-26E, backed by stable water and ramp-up of beverage sales. Primarily driven by penetration enhancements of water products and beverage products leveraging on the established sales networks, the company's total revenue is expected to reach a CAGR of 7.2%, rising from RMB 13.5bn in 2023 to RMB 16.6 bn in 2026E, based on our estimates.

We expect the CAGR of each segment to reach 3% and 44% in 2023 -2026E. We expect the growth to be primarily propelled by increase in sales volume.

The packaged drinking water business segment saw a steady ASP hike of 0.3% from 2021 to 2023 and sales volume CAGR of 7%. Revenue contributed from the water product segment remained solid. In the future, we expect ASP from 2023 to 2026E to decline by 4% and sales volume CAGR of 7%, considering that the small-sized and medium to large-sized water should continue to gain market share in markets where new factories are constructed and penetrations are enhanced. We expect the medium to large-sized water to continually drive the sales growth, thanks to the established packaged drinking water consumption habit of individuals and families in recent years.

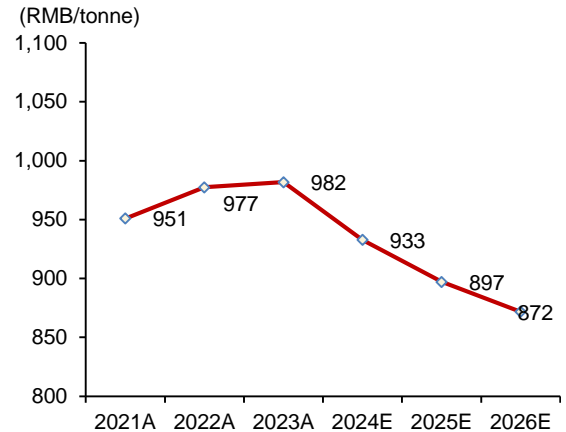
The beverage product segment booked an impressive 2021-23 CAGR of 41% in sales volume and 1.6% rise in ASP. Under the companies' strategic plan, the segment sees abundant room of potential multidimensional development, especially from the accumulated channelling and brand power. We expect the beverage products' volume growth to expedite and reach a 2023-26E CAGR of 49% accompanied with the ASP decline of 2.0%.

Figure 20: Total sales volume by product types



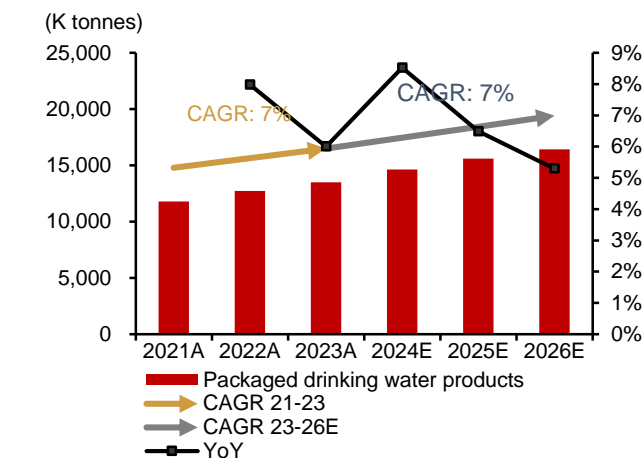
Source: Company data, CMBIGM estimates

Figure 21: Overall ASP trends in 2021-2026E



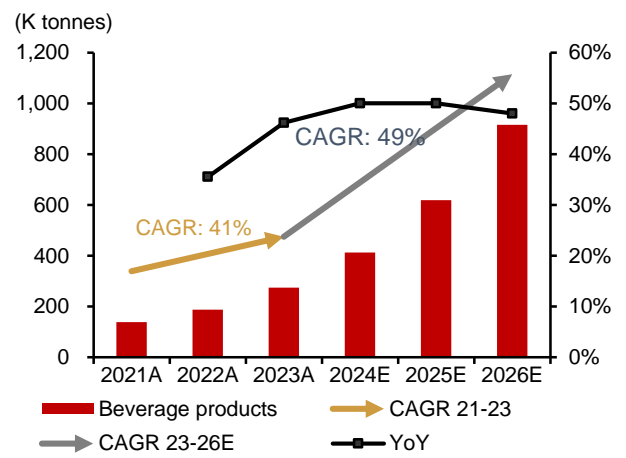
Source: Company data, CMBIGM estimates

Figure 22: Sales volume of water products



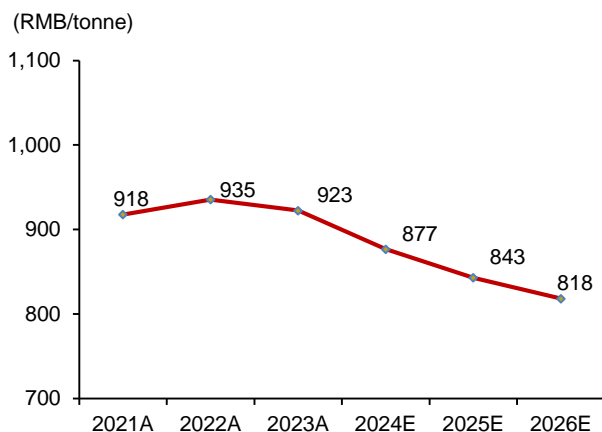
Source: Company data, CMBIGM estimates

Figure 23: Sales volume of beverage products



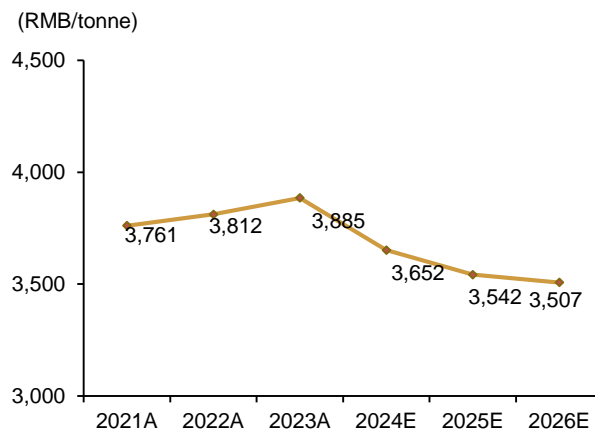
Source: Company data, CMBIGM estimates

Figure 24: ASP of water products



Source: Company data, CMBIGM estimates

Figure 25: ASP of beverage products



Source: Company data, CMBIGM estimates

GPM fueled by rising share of self-owned production line

The Company's gross profit was RMB 5.0bn/5.3bn/6.0bn/2.0bn in 2021/2022/2023/4M24, respectively, representing overall gross margin (GPM) of 43.8%/41.7%/44.7%/47.1%. Such improvements were driven by 1) decrease in raw material and packaging costs for all products given lower market prices for materials such as PET and cardboard, increased bargaining power of the company, and the adoption of beneficial procurement strategies, 2) lifting in selling prices of beverage products, 3) the heightened proportion of production handled by self-owned factories. In terms of production volume, the company's self-owned factories production contributed 31.9%/31.1%/33.1%/47.1% in 2021/ 2022/ 2023/4M24, respectively. The company expects the ratio to reach 60% at the end of 2025E, representing 16 self-owned factories with standard capacity of 16.3 mn tons per year, compared to 12 self-owned factories with 6.7mn tons of standard capacity in 2023.

Figure 26: GPM improvement

	2021	2022	2023	4M23	4M24
GPM	43.8%	41.7%	44.7%	43.3%	47.1%
Packaged drinking water products	44.6%	42.4%	45.6%	44.30%	49.00%
Beverage products	28.7%	28.8%	33.7%	32.00%	31.00%

Source: Company data

Figure 27: COGS structure

	2021	2022	2023	4M23	4M24
% total COGS					
Raw materials and packaging materials	58.5%	62.2%	60.3%	60.5%	61.7%
PET	21.8%	25.2%	23.6%	n.a.	22.0%
Cooperative manufacturing partners' service	31.3%	27.7%	27.6%	27.2%	22.6%
Manufacturing expenses	8.8%	8.6%	11.0%	11.8%	14.4%
Others	1.5%	1.6%	1.1%	0.5%	1.3%

Source: Company data, CMBIGM

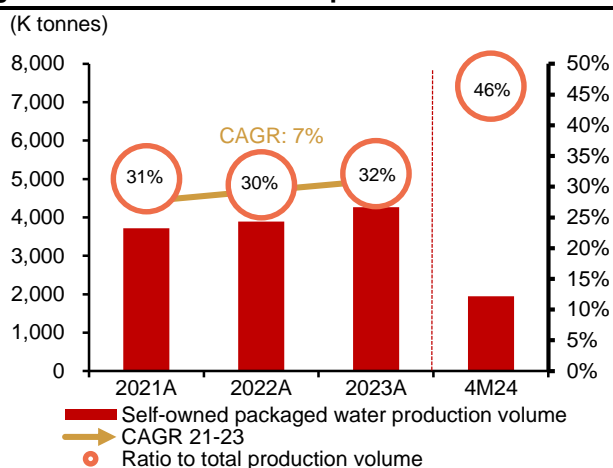
Figure 28: Company's guidance on production capacity

	2023		2025E		Capacity CAGR (23-25E)
	Quantity	Standard Capacity (mn tons)	Quantity	Standard Capacity (mn tons)	
Self-owned factories	12	6.7	16	16.3	56%
Cooperative manufacturing partner	34	12.1	n.a.	10.9	-5%
Total standard capacity		18.8		27.2	20%
Self production ratio		33%		60%	

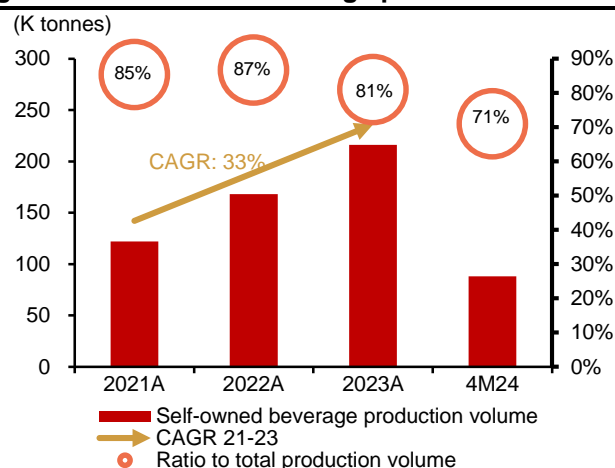
Source: Company data

Note: Blue figures denote company's plan

By comparing the data of 4M24 with that of 2023, we can observe that the company's self-owned production % for its water segment has increased by approximately 14 ppt (from 32% in 2023 to 46% in 4M24). Meanwhile, GPM of the segment has witnessed an improvement of 3.4 ppt (from 45.6% in 2023 to 49% in 4M24). It can be roughly estimated that for every 5-ppts increase in the self-owned production %, there will be a 1 ppt increase in GPM. However, the marginal effect will decline over time.

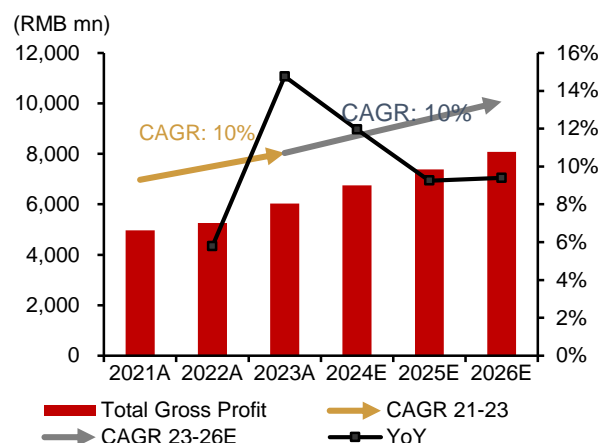
Figure 29: Self-owned water production volume

Source: Company data, CMBIGM estimates

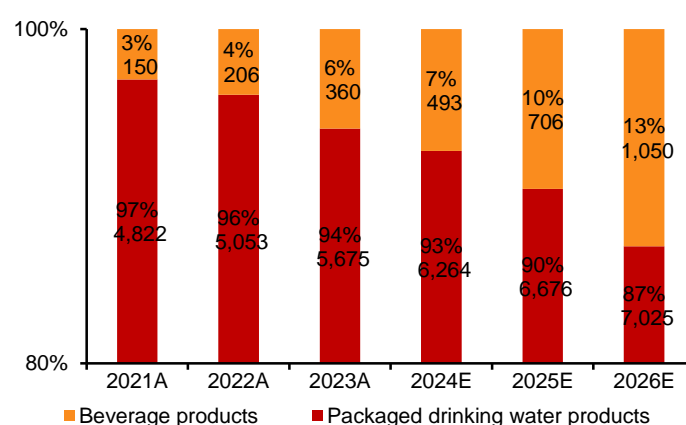
Figure 30: Self-owned beverage production volume

Source: Company data, CMBIGM estimates

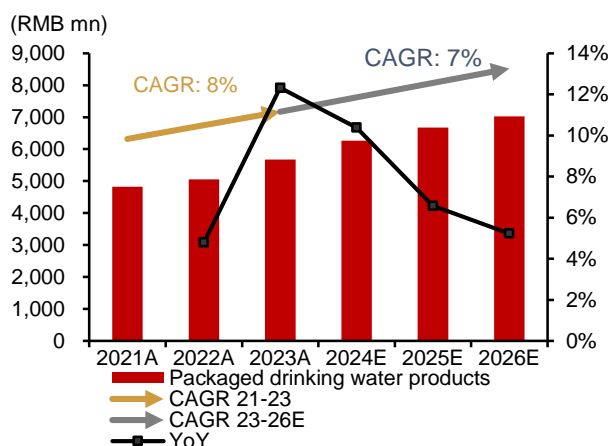
In the future, we expect the overall GPM to reach 47.1%/48.1%/48.5% in 2024/2025/2026E, respectively, mostly supported by the continued increase in the self-owned production ratio and economies of scale. By segment, the GPMs for water and beverage products are expected to continue to improve, reaching 48.8%/50.8%/52.3% for water, and 32.7%/ 32.2%/32.7% for beverages in 2024/2025/2026E, respectively. It is also noteworthy that the ongoing price war in packaged drinking water market may remain as a risk to company's profitability.

Figure 31: Total gross profit in 2021-2026E

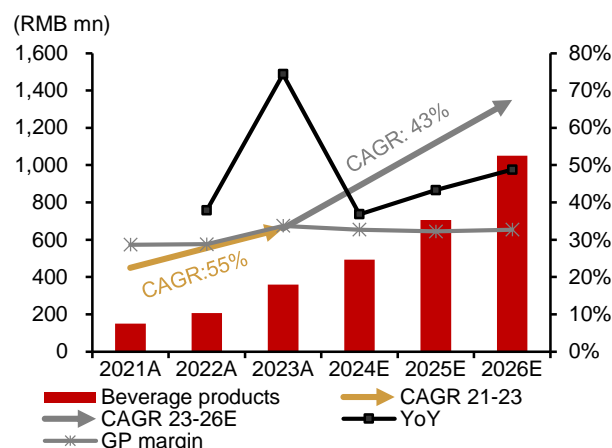
Source: Company data, CMBIGM estimates

Figure 32: Total gross profit by business segments

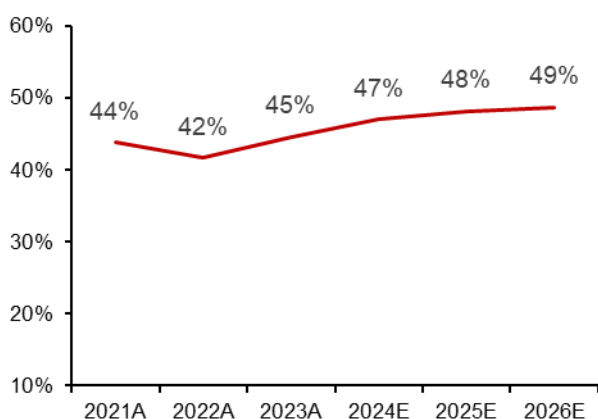
Source: Company data, CMBIGM estimates

Figure 33: Packaged drinking water products GP

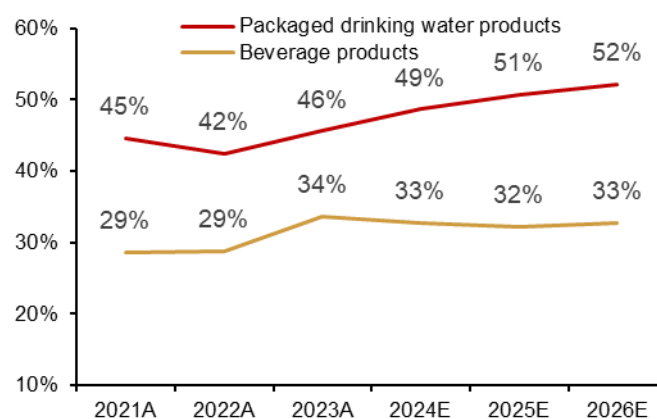
Source: Company data, CMBIGM estimates

Figure 34: Beverage products GP

Source: Company data, CMBIGM estimates

Figure 35: Overall gross profit margin

Source: Company data, CMBIGM estimates

Figure 36: GPM by business segments

Source: Company data, CMBIGM estimates

SG&A: comprehensive enhancement of operational capabilities

Between 2021 and 2023, the company's SG&A expenses grew by 9.4%, a rate significantly lower than sales growth, leading to a decrease in the SG&A ratio from 35.4% in 2021 to 32.5% in 2023. In 4M24, SG&A expenses rose by 8.7% YoY, drive the SG&A ratio to 33.1% mainly due to increased marketing costs. However, the increase was partially offset by reduced logistics expenses, thanks to the improved efficiency following production scale-up.

The company continues to optimize its production capacity layout and transportation methods, which may effectively enhance profitability. The current logistics expense ratio stands at 7-8%, slightly lower than industry peers. With further refinement of capacity distribution and potential new strategies, such as incorporating railway transport, we expect a continued downward trend in the logistics expense ratio.

We anticipate a gradual decline in the SG&A ratio to 32.5%/31.1%/30.1% for 2024/2025/ 2026E, respectively. This decline is primarily driven by enhanced operational efficiency from nationwide expansion, digital initiatives, and increased per-store output, which in turn lower employee costs.

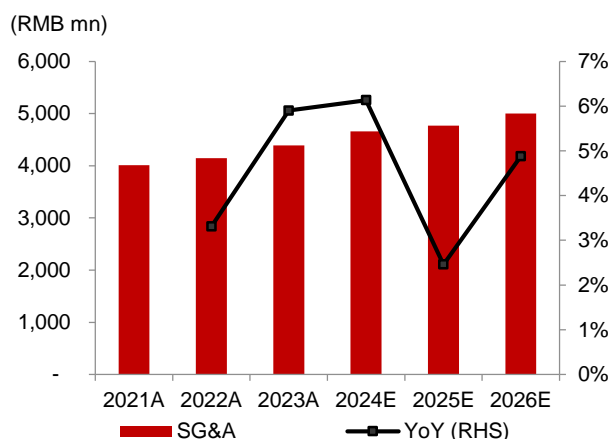
By observing the changes in the SG&A structure of the peer company (Nongfu Spring), we can notice that during the company's rapid expansion, the items with relatively larger declines in expense ratios are also those such as staff expenditure, marketing, and logistics.

Figure 37: SG&A ratio structure CR Beverage vs. Nongfu Spring

As % of revenue	CR Beverage (2023)	Nongfu Spring (2017)	Nongfu Spring (2018)	Nongfu Spring (2019)	change Δ
Staff costs	12.70%	8.10%	7.20%	6.70%	↓ -1.4%
Marketing expenses	7.90%	5.60%	6.00%	5.10%	↓ -0.5%
Logistic	7.70%	13.40%	11.00%	10.50%	↓ -2.9%
D&A	2.10%	1.90%	2.30%	2.80%	↑ 0.9%
Consulting	0.50%				
Office and travel	0.10%	0.70%	0.80%	0.60%	↓ -0.1%
R&D	0.50%	0.30%	0.50%	0.50%	↑ 0.2%
Others	1.40%	2.90%	2.90%	3.80%	↑ 0.9%
Total SG&A (incl. R&D)	32.90%	32.90%	30.70%	30.00%	↓ -2.9%

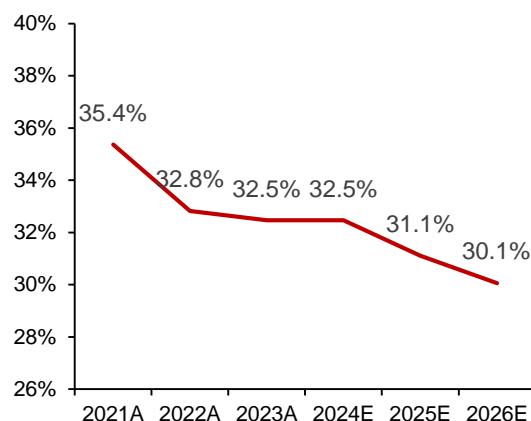
Source: Company data, CMBIGM

Figure 38: SG&A in 2021-2026E



Source: Company data, CMBIGM estimates

Figure 39: SG&A ratio in 2021-2026E

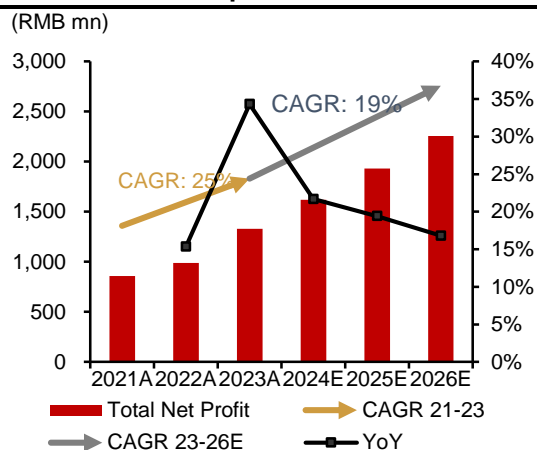


Source: Company data, CMBIGM estimates

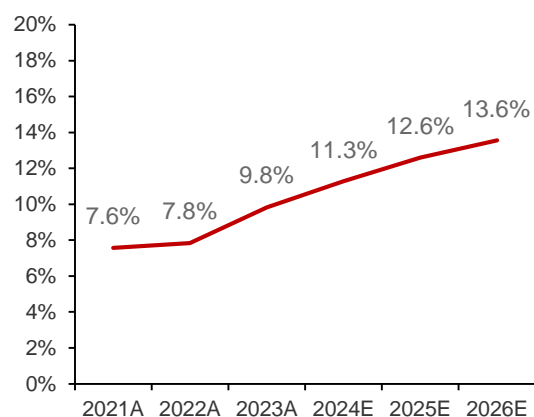
Net profit and net profit margin: sustainable improvement momentum

The company's net profit witnessed a 2021-2023 CAGR of 25%, with the net profit margin rose from 7.6% to 9.8%. Considering the strong performance driven by the company's ability to effectively improve profitability across operation, the increase in net profit and NPM were mainly attributed to the company's focuses on enhancing production efficiency, optimizing procurement, and implementing strategic pricing initiatives.

We expect the drivers of sales expansion and GPM improvement to continue to fuel the growth momentum of bottom-line and should deliver a 2023-26E CAGR of 26%. This results in YoY growth of 22%/19%/17% in 2024/25/26E, respectively. The net profit margin is expected to further increase to 11.3%/12.6%/13.6% in 2024/25/26E, respectively.

Figure 40: Overall net profit in 2021-2026E

Source: Company data, CMBIGM estimates

Figure 41: Overall NPM in 2021-2026E

Source: Company data, CMBIGM estimates

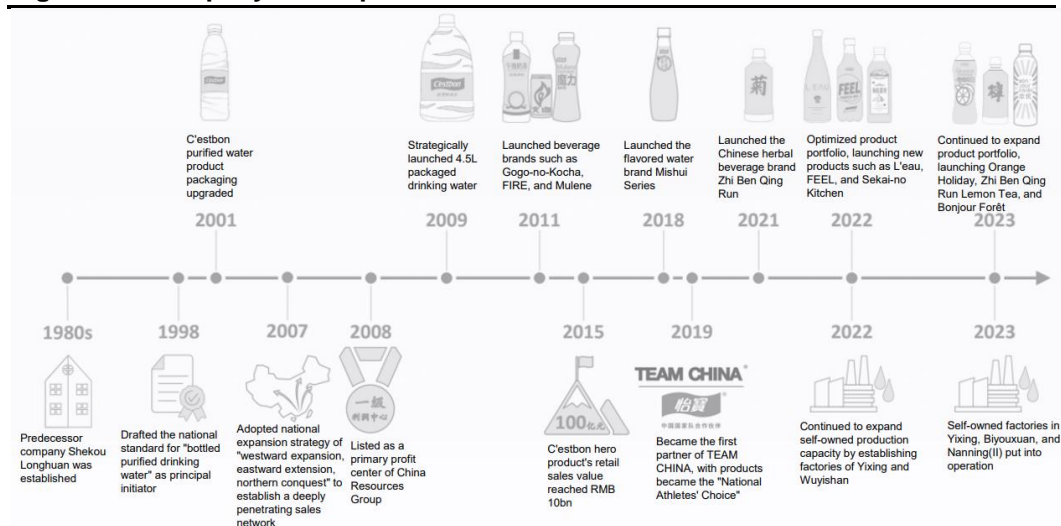
Company Overview

Purified water pioneer evolving into comprehensive beverage giant

As one of the pioneers in China's packaged water and RTD (ready-to-drink) soft beverage market, the Company has capitalized on the country's surging demand for high-quality beverages. Established in Shenzhen during the economic reforms in 1980s, the company became a wholly-owned subsidiary of China Resources Group in 1996. With a market-oriented focus, the company executed a national expansion strategy in the 2000s and diversified into a multi-category product portfolio in the 2010s. In 1990, the C'estbon branded water products were exclusively introduced to only the southern Chinese regions. Nowadays, the company's iconic "small green bottle" design has deeply ingrained in the minds of Chinese consumers, thanks to the nationwide and full coverage channeling strategy adopted by the company. In 2023, C'estbon reported annual sales of 14.6 bn bottles and retail sales value of RMB 39.5 bn, securing the first place in the Chinese purified drinking water market for 12 consecutive years, and second place in the Chinese drinking water market for 10 consecutive years.

Centered on C'estbon while diversifying in other beverage offerings, the company now owns a portfolio of 56 SKUs of 13 brands spanning in different beverage categories such as herbal tea, juice, and sports drinks. Following a multi-category strategic growth trajectory similar to prominent global RTD soft beverage companies, the company meets diverse market demands through proactive R&D and marketing strategies. Through decades of development, the company has successfully solidified a core mission of "shaping the future of refreshment to bring a safe, healthy and wonderful life" and a vision of "becoming the world-class leader".

Figure 42: Company development timeline



Source: Company data, CMBIGM

Capacity layout: 4 water sources, 131 production lines with 61 self-owned

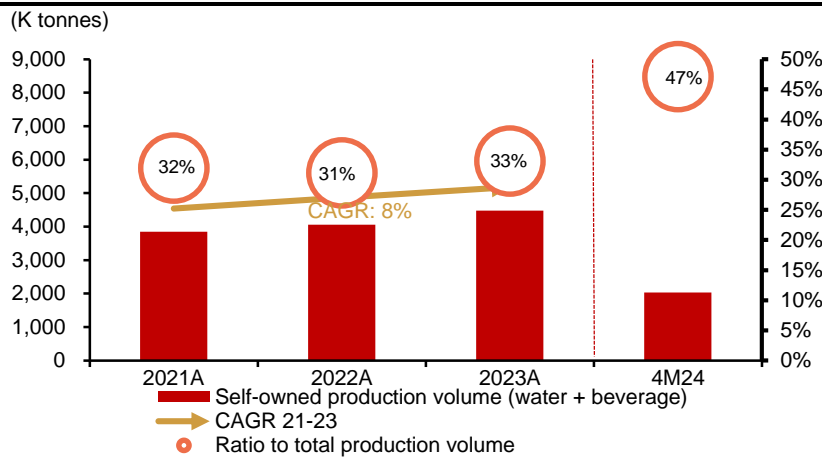
The accumulated and ongoing enhancement as well as optimization of production and logistics efficiency have been pivotal to the company's sustainable growth. Building on years of development, the company has secured access to four high-quality water sources in China, including Jialin Mountain in Guangdong Province, Wanlv Lake in Guangdong Province, Wuyi Mountain in Fujian Province, and Danjiangkou in Hubei Province. As of April 2024, the company operates 44 factories. 13 are self-owned and 31

are operated through cooperative manufacturing partnerships, running a total of 131 production lines, with 61 self-owned and 70 managed via cooperative manufacturing partnerships. In 2023, the actual production volume of packaged drinking water and beverage products combined amounted to 13.5 mn tons, and the utilization rates for water products and beverage products were 71% and 53%, respectively, aligning with those of industry peers. The overall proportion of self-production to total production was 31.9% in 2021, rising to 33.1% in 2023.

Figure 43: Production map

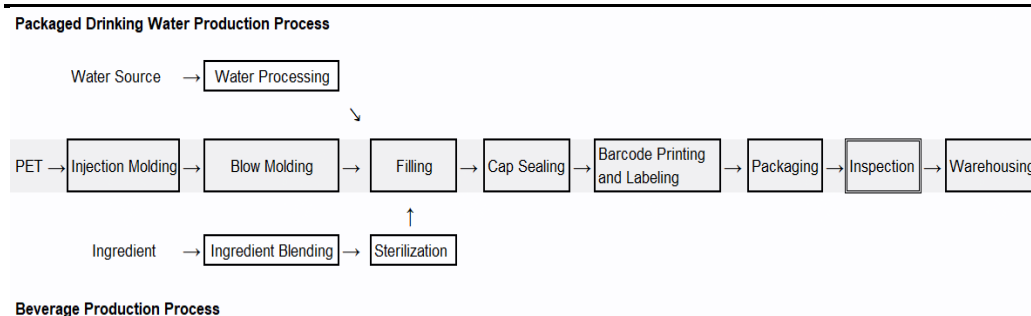
Region	地区	Province	省市	Regional operational data 产能布局 (2023)			
				Water Sources 水源地	Cooperative manufacturing partnerships 合作生产伙伴	Self-owned factories 自有工厂 (4M24)	Capacity expansion plan 产能扩张计划 (2024-25E)
Southern region	南部	Guangdong	广东	2	8	6	★2
		Guangxi	广西			1	
		Hainan	海南		1		
Eastern region	东部	Jiangsu	江苏		4	1	★1
		Zhejiang	浙江		1		★1
		Henan	河南		3	1	★1
		Hubei	湖北	1		1	
		Shanghai	上海			1	
		Anhui	安徽		2	1	
Southwestern region	西南	Sichuan	四川		2	1	★1
		Shaanxi	陕西				
		Chongqing	重庆		2		
		Yunnan	云南				
		Guizhou	贵州		2		
Central and Other regions	北部	Hebei	河北		1		
	北部	Beijing	北京				
	北部	Shanxi	山西		1		
	北部	Tianjin	天津		2		
	东北	Liaoning	辽宁		1		
	东北	Heilongjiang	黑龙江		1		
	东北	Jilin	吉林				
	西北	Inner Mongoli	内蒙古				
	西北	Xinjiang	新疆				
	西北	Gansu	甘肃				
	西北	Ningxia	宁夏				
	西北	Qinghai	青海				
	其它地区	Shandong	山东		1		
	其它地区	Fujian	福建	1	2		
	其它地区	Hunan	湖南		2	1	★1
	其它地区	Jiangxi	江西		1		
	其它地区	Tibet	西藏				
	其它地区	Hong Kong	香港				
	其它地区	Macao	澳门				
Total	合计			4	34	13	7

Source: Company data, CMBIGM

Figure 44: Self-production ratio hikes

Source: Company data, CMBIGM

Over the decades, the company has consistently enforced a stringent quality management system. This system meticulously oversees and upholds the quality of water sources, while also harmonizing quality standards throughout the entire production value chain. Such initiatives have played a crucial role in preserving the robustness and prestige of the company's brand.

Figure 45: Production process

Source: Company data, CMBIGM

Channel distribution: reaching 1/3 of terminal outlets in China

Over 88.5% of the company's revenue was generated from sales to distributors as of 4M24 given its dispersed distribution network, involving over 1,100 primary distributors and more than 4,000 secondary distributors, reaching more than 2 mn terminal sales outlets throughout China (c. 1/3 of total market). The average sales per distributor saw a CAGR of 10% from 2021 to 2023, paralleled by a 12% CAGR in direct channel revenues during the same period. As of year-end in 2023, the company had 1,068 distributors, a slight decrease from 1,114 in early 2021, reflecting the company's efforts to streamline its distribution network for enhanced operational efficacy.

The direct sales channel predominantly engages Key Accounts (KA), predominantly utilizing a standardized credit sales model, with only two clients operating under a consignment model. By April 2024, the company entered into sales agreements with over 150 KA customers and was actively selling through 12 e-commerce platforms. Regarding the top-tier clientele, the collective contribution of the top five customers to total revenue dropped from 20.7% in 2021 to 17.6% in 2023, signaling a decline in customer concentration risk. In sum, the company operates a well-diversified sales network that

deftly combines the strengths of distribution alliances and direct customer relationships to effectively serve its markets.

Strategically, the company has devised a standardized distributorship and sub-distributorship scheme. This sub-distributorship model empowers the company to make full use of the local market insights and sales networks of sub-distributors, while retaining oversight through tripartite agreements. Under the framework of these agreements, sub-distributors source the company's products from primary distributors, not directly from the company itself. Primary distributors are tasked with assessing the sales performance of the sub-distributors and adjusting sales incentives correspondingly. This multi-tiered distribution strategy facilitates the company's ability to penetrate and broaden its reach within local markets nationwide with remarkable efficiency.

Prospectively, the company is dedicated to leveraging its extensive logistics infrastructure to boost production capabilities and refine supply chain operations. In the short term, the company expects to execute targeted measures to further optimize logistics and warehousing efficiency. The efficiency gains are anticipated by the company to persist as new factories gear up production capacity at high-speed automated levels.

Complementing expanded product distribution and optimized outlet performance, the company has actively pursued sports marketing strategies. Collaborating with TEAM CHINA, the company has bolstered its brand image during prominent international sports events such as the 2020 Tokyo Summer Olympics and the 2022 Beijing Winter Olympics, alongside various domestic sports leagues and events. This comprehensive marketing approach assists the company in forming a strong connection with a wide audience, reinforcing a "healthy, safe, and professional" brand image.

Flagship brand maintains strength, keeps expanding brand matrix

■ Main business- packaged drinking water

Sales revenue and volume of the company's water products grew by 4.5%/6% YoY in 2023. Launched in 1990s, the trademark of C'estbon has grown into the second largest brand in the packaged drinking water market in China, and topped market shares in six of the major provinces in China. According to CIC report, C'estbon recorded a retail sales value of RMB 39.5bn in 2023, approximately four times larger than the total of 2nd to 5th ranking companies, with market share of 32.7%, topping China's purified drinking water market. In recent years, the company has persistently enhanced its packaged drinking water portfolio through diversifying water types and expanding product packaging to cater to a wide range of consumption scenarios. For instance, the company's 1.18L/6L/12.8L sized packaged drinking water products were initially introduced in 2020, largely welcomed by the special circumstance (household, catering and outdoor etc.) and resulted in medium- to large-sized packaging water achieved a CAGR exceeding 10% in both revenue and volume from 2021 to 2023, with the category's share within the water product's segment steadily increased.

Other than solely focusing on purified water production and selling, the company has diversified its packaged water portfolio by adding mineral water category. The sparkling water brand Feel and barreled water **Jialinshan** (加林山) were introduced in 2022 and 2010 respectively to further capture more consumption scenarios. Moreover, established in 2022 and 2023, **L'eau** (怡宝露) and **Bonjour Forêt** (本优) respectively are targeting on the high-end and low-end natural mineral water and differentiated from C'estbon as well as the products existed in the market. As of 2023, the company's

products layout has expanded to cover four major water types: purified drinking water, natural mineral water, natural drinking water, and sparkling water.

Figure 46: Brands and products under CR Beverage



Source: Company data, CMBIGM

■ Secondary business- Beverages

Leveraging on C'estbon's extensive nationwide sales network and production capacity, the company has strategically expanded its presence across multiple core product categories in China's RTD soft beverage industry, exhibiting considerable growth potential. The company has successfully launched multiple popular products under its renowned brands, solidifying its leading position across various core RTD beverage categories in China, including tea, juice, and coffee.

We see a secondary growth curve opportunity in the tea sector. The company has launched brands and products in three key sub-sectors, which are low sugar herbal tea, zero sugar tea and milk tea.

Benefited from high regional reputation of herbal low sugar tea beverage and built on its signature product Chrysanthemum Tea, **Zhi Ben Qing Run (至本清润)** has been one of the leading herbal beverage brands since its launch in 2021. The signature product was made of tea deeply rooted in the cultural heritage of Guangdong, and has been largely celebrated for its cooling, heat-clearing, and nourishing qualities. The product falls in the category of low sugar level beverages with a sugar content of only 4.6 grams per 100 milliliters, vs an average of 9-13 grams per 100 milliliters sugar content of regular herbal tea beverages peers. Not only has the product crafted with nourishing core ingredients, the product is aligning with the longevity consumption idea that has gained tractions among Chinese consumers in recent years. In 2023, Zhi Ben Qing Run Chrysanthemum Tea's retail sales reached an impressive RMB 75.64 mn, securing its position as the market leader in the Chinese chrysanthemum tea beverage segment with 38.5% of market share. The brand's success has not only been a testament to the product's quality but also to its strategic positioning as a quintessential Chinese tea drink. Capitalizing on this momentum, the brand has expanded its product line to include new offerings such as lemon tea and sour plum soup. The former stood out with lower sugar level, designed to broaden the brand's appeal and cater to a wider audience with diverse taste preferences.

Having gained a strong foothold in the sugar-free tea beverage sector and leveraged on strong market demand, launched in 2019, **Zuo Wei Cha Shi** (佐味茶事) had an eye-catching concept of zero-fat content and the addition of dietary fiber. This marketing message was closely associated with the benefits of reduced body fat and blood sugar levels. By the end of 2023, the product line expanded to three of the most popular Chinese tea flavors: oolong, black, and green tea. Committed to leading progress in healthier beverage manufacturing, the brand emphasized high-quality sourcing and R&D to deliver strong tea flavors with a concise ingredient list. As tea culture and health-conscious lifestyles gained traction among the generation across age groups, the brand targeted the large demographic group for healthier consumption options, aligning with the broader strategic goals of the company. Leveraging the growing consumer demand for zero-sugar beverages, this approach resonated strongly with increasing focus on healthy dietary choices among Chinese consumers.

The comprehensive brand upgrade for **Gogo-no-Kocha** (午后红茶) should provide a sustainable growth trajectory in the booming milk tea market. As one of the most reputable RTD brands in China, Gogo-no-Kocha was originally co-established with Kirin in 2011 and swiftly established its market presence with an MSRP of RMB 4-5 since launched. The distinguished features of Gogo-no-Kocha with smooth texture and rich milky aroma were meticulously crafted using premium black tea and dairy sources. In a strategic move, the brand is now undergoing a comprehensive upgrade, revamping both its formulation and brand image to cater to evolving consumer preferences for healthier options. This is expected to help sustain the brand's popularity, especially among the younger generation of Chinese consumers. Together with **Fire** (火咖) and **Sekai-no-Kitchen** (源自世界的厨房), the products collaborated with Kirin accounted for 2.0%/1.5%/1.4% of the company's total revenue in 2021/2022/2023. With an enriched product portfolio, the revitalized brand should be well-positioned to continue to gain traction across age groups, leveraging a strong brand recognition and a strong distribution network.

Strong parentco. implies significant synergistic benefits

As a prominent state-owned conglomerate rooted in Guangdong–Hong Kong–Macao Greater Bay Area, China Resources (Holdings) Company Limited is supported by a substantial institutional legacy since its establishment in 1938. The group possesses well-established foundations in six core business segments spanning across consumer goods, energy, urban constructions and operations, healthcare, industrial finance, technology, and emerging industries, covering 3,077 business entities and 390k employees. CRC has a solid subsidiaries portfolio across industries, with eight listed subsidiaries on the Hong Kong Stock Exchange (four of which are Hang Seng Index constituents) and nine listed on the A-share market in China. As of 2023, CRC had total assets of RMB 2.6 trn and delivered a revenue of RMB 889 bn. The group has won numerous honors in 2023, not only ranked 74th in the Fortune Global 500, it was awarded Grade A in the annual performance appraisal by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) for 17th time, and was ranked first in the Social Responsibility Development Index (SRDI) for seven consecutive years.

With a number of listed entities spanning across different sectors, CR Group provides substantial resources for its subsidiaries. The scale and synergies of the CR Group continually help strengthen CR Beverage's brand power and operational efficiency. For example, CR Chemicals, a major PET supplier to CR Beverage, is one of the top four players in China's highly concentrated PET market. As a future related party, CR

Chemicals provides a continued cost advantage to the company. Additionally, the company has signed a comprehensive cooperation agreement with CR Power, enabling the company to access electricity at prices lower than general power plants, thereby reducing operating costs. In the future, CR Power and its subsidiaries plan to further utilize CR Group's facilities and rooftops to install photovoltaic systems, providing clean energy and related services to meet the production needs of CR Beverage.

As a dedicated RTD soft beverage enterprise within the CRC, the company benefits from various synergies, including sales channels, digitalization, raw material procurement, construction management, and ESG initiatives, which have enabled the company to improve its operational efficiency, enhance its market share, and amplify its brand's influence.

Figure 47: Connected entities under CR Group

Connected Entity	Relationship
CR Holdings	CR Holdings is one of the Controlling Shareholders of the Company
CR Chemical	CR Chemical is indirectly held as to approximately 81.3% by China Resources Company Limited, which indirectly owns 100% equity interests in CR Holdings
CR Power	CR Power is indirectly held as to approximately 62.9% by China Resources Company Limited, which indirectly owns 100% equity interests in CR Holdings
CR Digital Holdings Co., Ltd. (華潤數科控股有限公司)	CR Digital Holdings is wholly owned by China Resources Company Limited, which indirectly owns 100% equity interests in CR Holdings
Shenzhen Runzhi Urban Construction Management Co., Ltd. (深圳市潤置城市 建設管理有限公司)	Shenzhen Runzhi is wholly owned by China Resources Land Limited (a company listed on the Stock Exchange (stock code: 1109), which is indirectly owned by CR Holdings

Source: Company data, CMBIGM

Figure 48: Group member enterprises



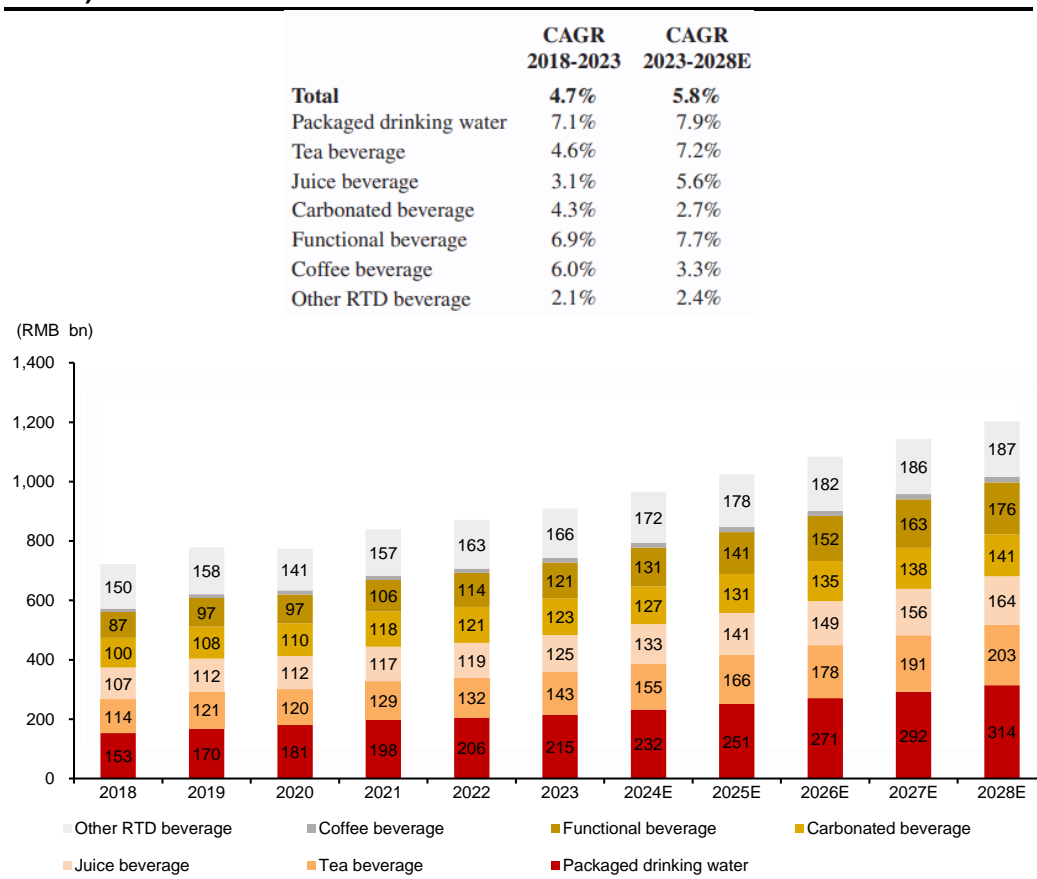
Source: Company data, CMBIGM

Industry Overview

RTD market: packaged drinking water and functional beverage to see the fastest growth

China is one of the world's largest markets for ready-to-drink (RTD) soft beverages. In China, RTD soft beverage products can be categorized into several key segments, including: packaged drinking water, tea beverages, carbonated beverages, juice beverages, functional beverages, coffee beverages, and other RTD soft beverages, such as protein beverages. According to the CIC Report, the size of the RTD soft beverage market in China, measured by retail sales value, reached RMB 909.2 bn in 2023. This represents a CAGR of 4.7% from 2018 to 2023, indicating steady expansion. The RTD soft beverage market in China is expected to grow at a CAGR of 5.8% from 2023 to 2028, driven by increasing urbanization and disposable income. Among the categories, packaged drinking water, the largest segment, is projected to expand at a CAGR of 7.9% during the same period. Driven by increasing consumer demands of convenience and innovation, and with a concentrated MSRP range at RMB1-5, the RTD market is featured by strong competition, with leading players leveraging brand recognition, sales channels, and R&D capabilities to maintain market share.

Figure 49: RTD soft beverage market size in China by product category (2018-2028E)



Source: CIC Report, Company data, CMBIGM

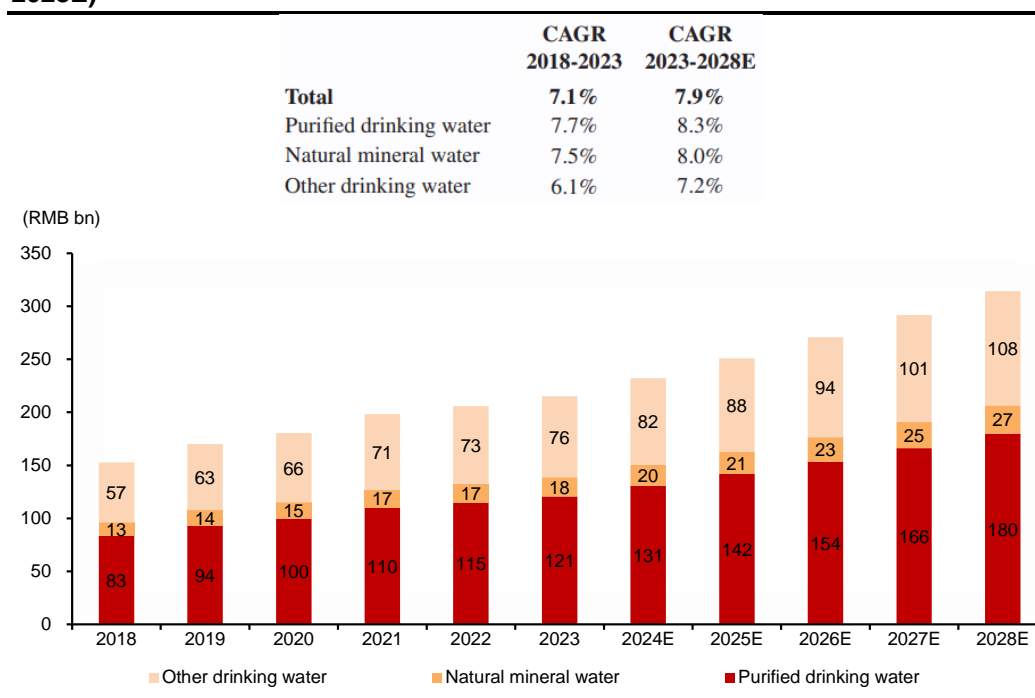
There is an increasing popularity of low-sugar and health-conscious beverages in the market, reflecting a broader trend towards wellness among consumers. The introduction of new flavors and formats, such as hard seltzers and plant-based RTDs, is expected to further expand the market's appeal. Additionally, the rise of e-commerce and direct-

to-consumer sales channels provide new avenues for RTD brands to reach consumers. As the market evolves, successful players will be those that can effectively balance innovation with consumer preferences and health trends.

Packaged water market size: purified water dominates the largest, fastest-growing segment

According to the CIC Report, the size of the packaged drinking water market in China, measured by retail sales value, was RMB 215.0 bn in 2023, representing a CAGR of 7.1% from 2018 to 2023. The market size is forecasted to grow at a CAGR of 7.9% from 2023 to 2028, driven by increasing awareness of water safety and a preference for healthy hydration. The market is dominated by purified drinking water, which is expected to maintain its leading position. Key drivers include the rising demand for packaged drinking water in various household consumption scenarios, such as tea making and cooking, and the association with sports and fitness. The market is also characterized by product diversification and the development of medium- to large-sized packaged water products.

Figure 50: Packaged drinking water market size in China by segment (2018-2028E)



Source: CIC Report, Company data, CMBIGM

The packaged drinking water market continues to be a dynamic sector, with a focus on sustainability and health. The demand for high quality products is still on the rise, with consumers seeking out products that offer additional benefits beyond hydration. The market is also seeing a shift towards eco-friendly packaging solutions, as environmental consciousness becomes a key factor in purchasing decisions. Innovation in packaging design and materials is expected to play a significant role in the future, and brands that provide reliable products and prioritize sustainability are likely to gain market share.

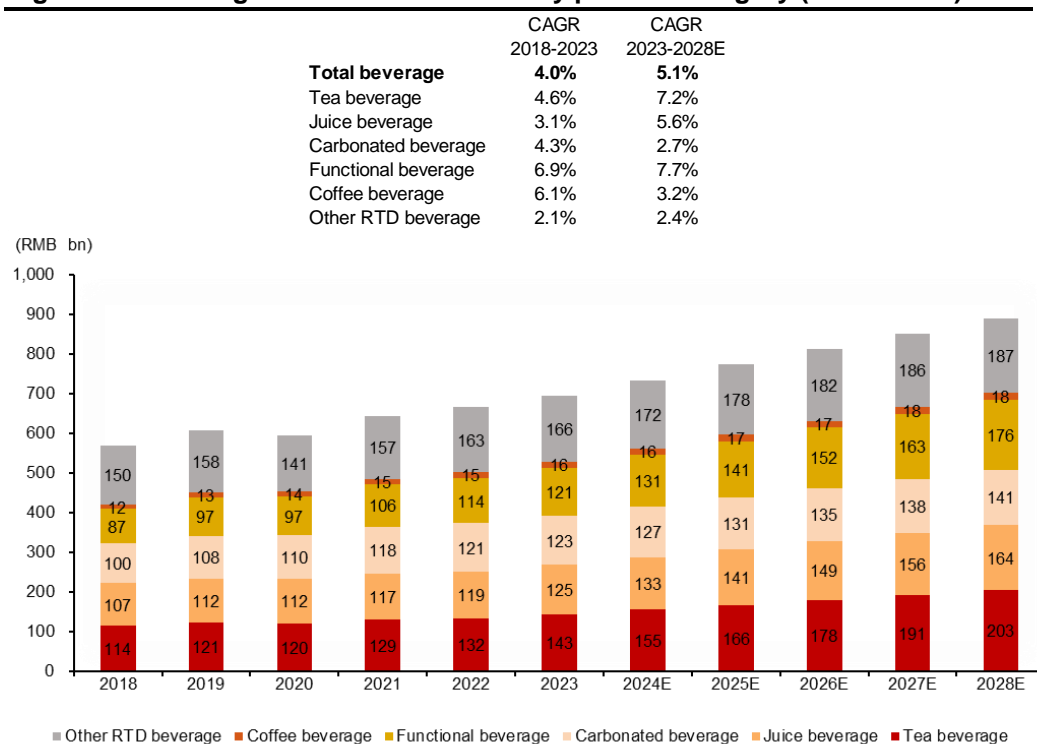
Beverage market: functional/tea/juice beverage to grow fast

From 2018 to 2023, the beverage market expanded at a compound annual growth rate (CAGR) of 4.0% to reach RMB 694 bn, and CIC projects it will further grow at a 5.1%

CAGR from 2023 to 2028 to RMB 889 bn. Among sub-segments, functional beverages, coffee drinks, and tea beverages led the growth from 2018 to 2023 with respective CAGRs of 6.9%/6.1%/4.6% (compared to the overall 4.0%) to achieve sales of RMB 121 bn/RMB 16 bn/RMB 143 bn. According to the CIC report, the categories expected to see the fastest growth from 2023 to 2028 are functional beverages, tea beverages, and fruit drinks, with anticipated CAGRs of 7.7%, 7.2%, and 5.6%, respectively, reaching RMB 176 bn, RMB 203 bn, and RMB 164 bn.

The overall beverages market is characterized by a blend of traditional favorites and emerging trends. Health and wellness remain at the forefront of consumer preferences, with a growing demand for functional beverages that offer additional health benefits. The market is expected to benefit from increasing health consciousness among consumers, leading to a rise in demand for sugar-free and herbal-based beverages. Innovation in product offerings, such as flavored water and sparkling water, is expected to drive market expansion as well. Additionally, the market is influenced by the growing popularity of sports and fitness activities, which further supports the consumption of packaged drinking water and other professional sport drinks options.

Figure 51: Beverage market size in China by product category (2018-2028E)



Source: CIC Report, Company data, CMBIGM

Major drivers for industry development

Increasing awareness on water safety. Consumers are becoming more conscious of tap water quality, leading to rising demand for packaged drinking water. The consumption volume of packaged drinking water in China increased from 11.5% of total drinking water in 2018 to 14.4% in 2023, and is expected to reach 18.9% by 2028, although still substantially lower than other developed markets (59.7% in the US and 22.7% in Hong Kong).

Stronger preference for healthy hydration. In recent years, a number of consumers prefer packaged drinking water or diet beverages over regular, sugary beverages. The

percentage of packaged drinking water in the RTD soft beverage market in China is expected (by CIC) to increase from 21.1% in 2018 to 26.1% in 2028, while sugary carbonated beverages are expected to decline.

Diverse household consumption scenarios. The increasing level of urbanization and smaller family sizes have led to new household consumption scenarios, such as tea making, cooking, and dining. Consumers have varying requirements for package types and sizes, with medium- to large-sized packaged water expected to serve as an alternative to tap water. The share of medium- to large-sized packaged water in the packaged drinking water market is expected (by CIC) to increase from 15.2% in 2018 to 22.2% by 2028.

Association with sports and fitness. As Chinese consumers focus more on exercise and healthy lifestyles, the proportion of regular exercise is expected to reach 40% or above by 2030. Sports and outdoor workouts are expected to drive the growth of the packaged drinking water market.

Diversification of product offering. Leading players have expanded their product categories and developed various package types at different price levels to cater to diverse consumer needs.

Entry barriers

Product quality and food safety. Product quality and food safety are major concerns for consumers. Ensuring consistent product quality requires substantial investments, expertise, and experience in water source management and compliance with standards. It is crucial to establish trust in consumers regarding product quality, which new or small-scale players may lack the resources to achieve the goal.

Brand image and recognition. Brand image and recognition may affect purchasing decisions of consumers, especially for the younger generation. Building an appealing, trustworthy, and professional brand image requires substantial investments in advertising, marketing, and public relations. It is increasingly difficult for new market entrants to build brand recognition in the short term.

Robust sales and distribution network. It is important to manage a large sales and distribution network in China's vast and highly stratified RTD soft beverage market. Leading players have established in-house sales teams with strong marketing capabilities, which new entrants may not be able to acquire quickly.

Strong production capabilities and supply chain management. Leading players are deeply involved in their upstream operations, adopting advanced technologies and maintaining end-to-end delivery systems. This helps them reduce costs and improve efficiency, which new entrants may have difficulty to achieve in a short period due to regulatory requirements and lack of capabilities.

R&D capabilities, ingredient, and production formulas. Innovation through new brands, flavors, packaging, and technologies requires substantial investments in R&D. Ingredient and production formulas may significantly affect product tastes and consumer experience, which may typically require years of development and refinement. New entrants may lack the necessary R&D capabilities and experience in these areas.

Digitalized operational capabilities. Industry leaders can leverage data analytics and consumer insights to optimize operations and drive business decisions. Digitalization is applied across various processes, but new entrants may not have sufficient funds and data to build these capabilities quickly.

Capital investments. Significant capital investments are required for production equipment, sales channel development, product R&D, and brand marketing. New entrants with limited capital resources are at a disadvantage in competing against established players.

Valuation

Initiate coverage with BUY at TP of HK\$ 18.64

Our valuation of CR Beverage is predicated upon a 2025E P/E multiple of 22x, primarily for the following rationales:

1) We apply a 15% discount to the 23x 2025E P/E of key comparable peers in China's Ready-to-Drink (RTD) industry, to reflect that the company's second growth curve is still in its early stage and has yet to achieve a significant scale.

2) On top of that, we further offer a 10% premium to reflect that the company is the only SOE in the industry. Against the backdrop of an uncertain future economic situation, its status as a central SOE enables it to better withstand risks.

Consequently, we obtain the target PE multiple of 22x. Grounded on our projection of a net profit of RMB 1.93 bn in 2025E, the equity value amounts to RMB 41.57 bn. With 2.4 bn shares issued and a foreign exchange rate of 1.09 for CNY/HKD, our valuation culminates in HKD 18.84 per share.

Figure 52: Equity valuation

P/E	2021	2022	2023	2024E	2025E	2026E
Total volume (K tonnes)	11,925	12,915	13,766	15,054	16,210	17,332
yoy		8.3%	6.6%	9.4%	7.7%	6.9%
Revenue (RMB mn)	11,340	12,623	13,515	14,344	15,334	16,644
yoy		11.3%	7.1%	6.1%	6.9%	8.5%
NPAT (RMB mn)	858	990	1,329	1,618	1,932	2,256
yoy		15.3%	34.3%	21.7%	19.4%	16.8%
P/E (x)					22x	
Equity Value					41,566	
Shares issued (mn)					2,398	
Implied value per share (RMB)					17.3	
CNY/HKD					1.09	
Implied value per share (HK\$)					18.84	
Upside					43%	

Source: Company data, CMBIGM estimates, as of 20241214

Figure 53: Valuation comps

Company	Ticker	Last Price (LC)	Mkt Cap (USD mn)	P/E (x)			Revenue Growth (%)			Net Profit Growth (%)			Gross Margin	Net Margin	OCF/NP	Payout ratio	Dividend Yield	
				24E	25E	26E	24E	25E	26E	24E	25E	26E	23A	23A	23A	23A	23A	24E
Nongfu Spring	9633.HK	36.00	52,072	29.4 x	25.4 x	22.1 x	10.9	15.9	11.3	5.3	16.0	14.7	59.5	28.1	1.4 x	69%	2.3%	2.4%
Eastro Beverage	605499.SH	250.56	18,126	40.4 x	30.7 x	24.4 x	42.4	28.1	23.1	58.2	31.4	25.9	43.1	18.1	1.6 x	49%	1.0%	1.3%
Tingyi	0322.HK	10.32	7,479	15.0 x	13.6 x	12.4 x	4.2	3.7	3.7	14.9	10.7	9.1	30.4	4.4	1.8 x	98%	5.8%	7.1%
Want Want China	0151.HK	4.48	6,806	12.0 x	11.3 x	10.7 x	0.0	3.8	4.6	8.9	4.9	5.0	46.6	16.6	1.3 x	69%	5.7%	0.0%
U-Preid China	0220.HK	7.41	4,116	15.5 x	14.1 x	12.9 x	7.5	5.8	5.8	14.3	10.4	9.1	30.5	5.8	1.8 x	109%	6.3%	7.2%
CR Beverage	2460.HK	13.22	4,078	17.8 x	14.9 x	12.8 x	6.1	6.9	8.5	21.7	19.4	16.8	44.7	9.8	1.3 x	NA	0.0%	2.2%
Hebei Yangyuanzhui Beverage	603156.SH	22.29	3,924	19.7 x	17.7 x	15.9 x	(5.4)	6.6	7.7	(2.5)	11.3	11.7	45.7	23.8	1.6 x	138%	7.2%	0.0%
Chengdelo	000848.SZ	9.73	1,425	16.2 x	14.0 x	12.5 x	8.0	8.0	8.2	(1.0)	16.0	11.6	41.5	21.6	1.0 x	66%	4.1%	3.8%
Xiangpiaopiao Food	603711.SH	16.02	915	21.4 x	18.0 x	15.2 x	4.2	11.2	10.6	9.8	19.0	17.8	37.5	7.7	1.4 x	51%	2.2%	2.2%
Lzy	605337.SH	14.00	768	23.5 x	21.0 x	18.9 x	3.9	9.3	9.6	(0.7)	11.7	11.3	35.8	16.8	1.7 x	83%	3.6%	2.6%
Average				27.4 x	23.0 x	19.8 x	14.2	15.0	11.9	16.5	17.3	15.3	50.5	21.5	1.5 x	69%	2.8%	2.5%

Source: Company data, CMBIGM estimates (as of December 14, 2024)

Investment Risks

Economic conditions

Economic downturn or political instability can negatively affect consumer spending and the company's financial results. The company may be negatively influenced by macroeconomic pressure and the risk of a shift in overall consumer sentiment. In this case, consumers may become more cautious in their spending behavior.

Fierce competition and price war

The RTD soft beverage industry in China is highly competitive, with established competitors and new entrants. The company may face challenges in maintaining market share and profitability due to intense competition. In early June 2024, a leading market player (Nongfu Spring) introduced a purified water product and priced at around RMB 0.6/bottle. To capture market share and adapt to the trend of rational consumption among the mass market, other beverage companies have been forced to compete on lowering price, driving the once-stable RMB 2/bottle price range for packaged drinking water down to RMB 1/bottle.

Product quality and safety

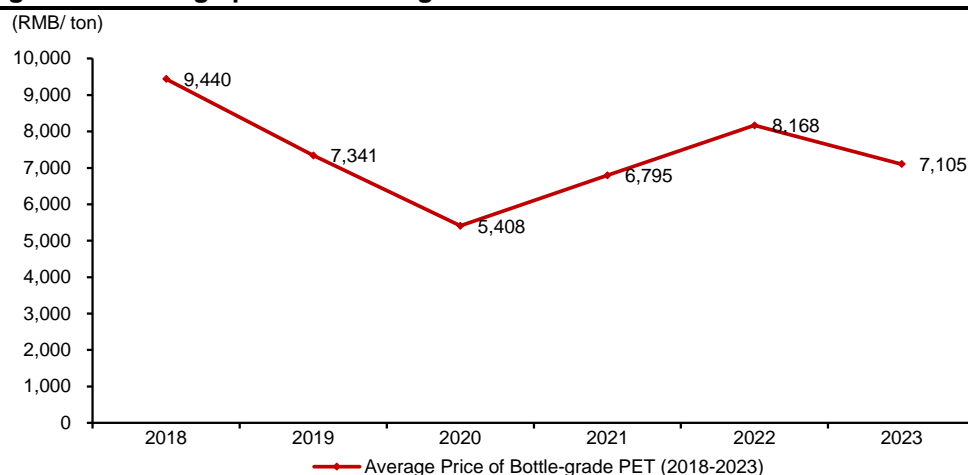
The company's operation relies heavily on maintaining consumer trust in the safety and quality of its packaged drinking water and beverages. Any failure in quality control or product safety issues could significantly affect the business and financial performance.

The company uses water sourced from surface water, groundwater, or public water systems, and performs purification through processes such as distillation, electrodialysis, ion exchange, and reverse osmosis. The company utilizes an SPM system to ensure material safety, and requires factories to comply with a series of specified standards during the construction of new production lines, acceptance of raw materials and packaging, storage and inventory management. Incomplete prevention and control of foreign objects and odors may potentially affect the quality of batches.

After the pandemic, consumers have significantly higher demands for health. Ensuring the safety of food and beverage products is now crucial for brand value, as proven by the recent crisis of Nongfu Spring's flagship product containing a higher-than-expected bromate concentration, which toppled its brand image for some consumers.

Raw material and packaging supply

The company faces risks related to the supply of raw materials, such as PET for bottles, and packaging materials. Price volatility, quality issues, or supply shortages could increase costs and affect profitability. The company's production costs are highly correlated with the price of bottle-grade PET (accounted 25.2%/23.6% of the total procurement expenses as of 2022/2023), which in turn is closely linked to crude oil prices. As a result, the company is significantly affected by global factors. The chart below shows the fluctuations in PET prices over the past period.

Figure 54: Average price of bottle-grade PET trend

Source: Company data, CMBIGM

Distribution network management

The company's sales depend heavily on a network of distributors. Failure to maintain relationships with existing distributors or establish new ones could disrupt the distribution network, affecting the company's brands, operations, and financial results. As of April 2024/2023/2022, revenue from distributors accounted for 88.5%/88.2%/88.7% of total revenue, despite stable at a high contribution, the risk of failing to successfully manage distributor relationships might lead to a significant decline in revenue and profitability.

Appendix:

Company Milestones

In 1980s, CR Beverage's predecessor — China Longhuan Co., Ltd was established as a joint venture by Guiyang Cili Product Development Company, China Merchants Shekou Industrial Zone Water Supply Company, and Huanya Co., Ltd in Shenzhen under the backdrop of opening-up of China's economy and modernization in 1980s. The predecessor of the Company primarily produced and sold carbonated Cili soft drinks in Shenzhen and Guangzhou locally. In 1990, the company decided to pivot to the packaged drinking water market and launched the "C'estbon" brand of distilled water, becoming one of the early players in China's packaged drinking water industry. In 1996, the Company was then wholly acquired by China Resources Group. In 1998, the Company participated in drafting and initiating the national standard for "bottled purified drinking water." Under China Resources' ownership, the company expanded its operations nationwide from its Shenzhen base since 2007. In 2010s, the company collaborated with Japanese-listed Kirin to launch new product lines like Gogo-no-Kocha (午后奶茶), Fire (火咖), and Seikai-no-Kitchen (源自世界的厨房). Over the years, the company has diversified its product portfolio, adding flavored waters, juices, herbal drinks, premium mineral waters, and sparkling sodas. The company has also focused on sports marketing, becoming a partner of the Chinese national team and the Chinese Super League.

Through efforts of strategic developments, marketing capabilities and accumulated brand powers, the company, led by its flagship "C'estbon" brand, has grown to become a prominent player in China's ready-to-drink beverage industry.

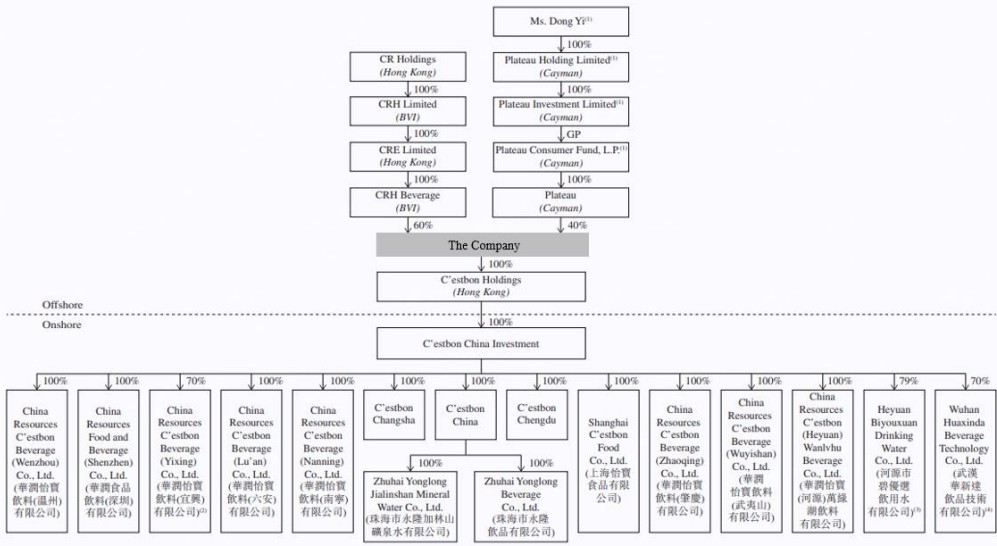
Figure 55: Company history

Year	Event
1980s	Shekou Longhuan, CR Beverage's predecessor, was established.
2001	The packaging for 'C'estbon' brand purified water products was upgraded.
2007	Nationalwide expansion strategy in the Western, Eastern and Northern regions was established
2009	The 4.5L packaging water was strategically launched
2011	Products of "Gogo-no-Kocha milk tea", "FIRE", and "Mulene" were introduced.
2018	The flavored water brand "Mi Shui Series" was launched.
2019	The company became the first partner of TEAM CHINA and sponsored the 7th World Military Games. The juice beverage brand "Holiday Series" was launched.
2021	The Chinese herbal tea beverage brand "Zhi Ben Qing Run" was launched. The company was appointed as the official supplier of bottled water for the 14th National Games. The company supported more than 70 national teams and the Chinese Delegation for the Tokyo Olympics.
2022	The high-end mineral water brand "L'eau" was launched The sparkling water brand "FEEL" was launched The juice beverage brand "Sekai-no-Kitchen" was launched The self-owned Yixing Factory and Wuyi Mountain Factory began construction, and Wanlv Lake Factory entered construction agreement. New products such as Orange Holiday, Zhi Ben Qing Run lemon tea, Bonjour Forêt bottled natural mineral water and 520ml C'estbon natural drinking water were introduced
2023	The self-owned factories, Yixing Factory, Biyouxuan Factory and Nanning Factory (Phase II) were put into operation.
2024	The company became the title sponsor of the Chinese Football Association Super League(中超联赛).

Source: Company data, CMBIGM

Shareholding structure

Figure 56: Shareholding structure (pre-IPO)



Source: Company data, CMBIGM
Note: For more details, please refer to the company's prospectus

Management profile

Figure 57: Directors and management profile

Name	Age	Position	Roles and Responsibilities	Date of Joining the Group
Mr. ZHANG Weiton	55	Chairman of the Board, Executive Director and President	Overall operation and management, presiding over the work of the Board and the management level office meeting	April 3, 2000
Mr. WANG Chengwe	51	Vice President	Overseeing the strategic management department, legal department and intelligence and digitalization department of the Group	August 2, 2009
Ms. LIU Mingfang	46	Vice President	Overseeing the sales and marketing center of the Group	October 31, 2000
Mr. YANG Nan	53	Vice President	Overseeing the quality and environmental safety	November 10, 2014
Mr. FAN Yuleng	42	Vice President	Overseeing the engineering department and operation center of the Group	December 13, 2019
Ms. WU Xia	46	Executive Director and Chief Financial Office	Responsible for overseeing the finance department of the Group	April 17, 2024

Source: Company data

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	11,340	12,623	13,515	14,344	15,334	16,644
Cost of goods sold	(6,369)	(7,364)	(7,480)	(7,587)	(7,952)	(8,569)
Gross profit	4,971	5,259	6,035	6,757	7,382	8,075
Operating expenses	(4,059)	(4,192)	(4,449)	(4,736)	(4,871)	(5,121)
Selling expense	(3,757)	(3,878)	(4,087)	(4,337)	(4,437)	(4,650)
Admin expense	(253)	(265)	(301)	(319)	(333)	(354)
R&D expense	(49)	(49)	(62)	(80)	(100)	(117)
Operating profit	106	188	145	88	88	88
Other income	117	191	174	88	88	88
Other expense	(11)	(3)	(29)	0	0	0
EBITDA	1,185	1,393	2,055	3,012	3,851	4,645
Depreciation	(272)	(326)	(468)	(991)	(1,341)	(1,691)
EBIT	912	1,067	1,587	2,021	2,511	2,954
Interest income	179	149	194	177	154	165
Interest expense	(2)	(2)	(43)	(43)	(43)	(43)
Pre-tax profit	1,205	1,375	1,878	2,270	2,710	3,165
Income tax	(347)	(387)	(547)	(650)	(776)	(906)
After tax profit	858	989	1,331	1,620	1,935	2,259
Minority interest	0	1	(2)	(2)	(3)	(3)
Net profit	858	990	1,329	1,618	1,932	2,256
Adjusted net profit	858	990	1,329	1,618	1,932	2,256

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	7,199	7,630	5,558	9,892	7,006	7,538
Cash & equivalents	1,683	2,508	2,075	8,048	5,365	5,787
Account receivables	505	564	683	597	331	357
Inventories	414	588	377	424	488	573
ST bank deposits	208	292	2,297	799	799	799
Other current assets	4,389	3,679	126	23	23	23
Non-current assets	1,889	2,974	7,444	9,209	11,128	12,496
PP&E	1,383	2,008	4,810	6,852	8,748	10,097
Right-of-use assets	182	464	518	544	567	586
Other non-current assets	324	503	539	236	236	236
Total assets	9,088	10,605	13,002	19,101	18,134	20,035
Current liabilities	4,186	4,329	5,188	5,260	5,506	5,920
Short-term borrowings	0	0	0	0	0	0
Account payables	3,869	4,029	5,022	5,094	5,340	5,754
Tax payable	29	33	8	8	8	8
Other current liabilities	3	3	3	3	3	3
Lease liabilities	16	17	16	16	16	16
Contract liabilities	269	247	139	139	139	139
Non-current liabilities	319	380	441	441	441	441
Long-term borrowings	0	0	0	0	0	0
Deferred income	302	369	421	421	421	421
Total liabilities	4,504	4,709	5,629	5,701	5,946	6,360
Share capital	0	0	0	0	0	0
Capital surplus	4,584	5,574	6,903	11,310	8,810	8,810
Retained earnings	0	0	0	1,618	2,902	4,386
Other reserves	0	0	0	0	0	0
Total shareholders equity	4,584	5,574	6,903	12,928	11,712	13,196
Minority interest	0	322	470	472	475	479
Total equity and liabilities	4,584	5,896	7,373	13,400	12,187	13,674

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,205	1,375	1,878	2,270	2,710	3,165
Depreciation & amortization	272	326	468	991	1,341	1,691
Tax paid	(470)	(366)	(420)	0	0	0
Change in working capital	40	(275)	21	111	447	303
Others	136	144	314	0	0	0
Net cash from operations	827	845	1,718	2,722	3,723	4,254
Investing						
Capital expenditure	(315)	(723)	(2,251)	(3,059)	(3,259)	(3,059)
Net proceeds from disposal of short-term investments	4,011	10,347	5,864	1,801	0	0
Others	(3,014)	(9,622)	(5,703)	103	0	0
Net cash from investing	682	1	(2,090)	(1,155)	(3,259)	(3,059)
Financing						
Dividend paid	0	0	0	0	(647)	(773)
Net borrowings	(2)	(2)	(43)	0	0	0
Share repurchases	0	0	0	4,407	(2,500)	0
Others	(18)	(20)	(18)	0	0	0
Net cash from financing	(19)	(21)	(61)	4,407	(3,147)	(773)
Net change in cash						
Cash at the beginning of the year	193	1,683	2,508	2,075	8,048	5,365
Exchange difference	1	(0)	(0)	0	0	0
Cash at the end of the year	1,683	2,508	2,075	8,048	5,365	5,787
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	na	11.3%	7.1%	6.1%	6.9%	8.5%
Gross profit	na	5.8%	14.8%	12.0%	9.2%	9.4%
Operating profit	na	77.1%	(23.2%)	(38.8%)	0.0%	0.0%
EBITDA	na	17.6%	47.5%	46.6%	27.9%	20.6%
EBIT	na	17.0%	48.7%	27.4%	24.2%	17.7%
Net profit	na	15.3%	34.3%	21.7%	19.4%	16.8%
Adj. net profit	na	15.3%	34.3%	21.7%	19.4%	16.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	43.8%	41.7%	44.7%	47.1%	48.1%	48.5%
Operating margin	0.9%	1.5%	1.1%	0.6%	0.6%	0.5%
EBITDA margin	10.4%	11.0%	15.2%	21.0%	25.1%	27.9%
Adj. net profit margin	7.6%	7.8%	9.8%	11.3%	12.6%	13.6%
Return on equity (ROE)	na	19.5%	21.3%	16.3%	15.7%	18.1%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.4)	(0.3)	(0.6)	(0.5)	(0.4)
Current ratio (x)	1.7	1.8	1.1	1.9	1.3	1.3
Receivable turnover days	13.3	17.0	10.2	15.2	15.2	15.2
Inventory turnover days	23.7	29.2	18.4	20.4	22.4	24.4
Payable turnover days	221.8	199.7	245.1	245.1	245.1	245.1
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	28.8	25.0	18.6	18.3	15.4	13.2
P/E (diluted)	28.8	25.0	18.6	18.3	15.4	13.2
P/B	5.4	4.2	3.4	2.2	2.4	2.2
Div yield (%)	0.0	0.0	0.0	2.2	2.6	3.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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